CREDIT and FINANCIAL MANAGEMENT

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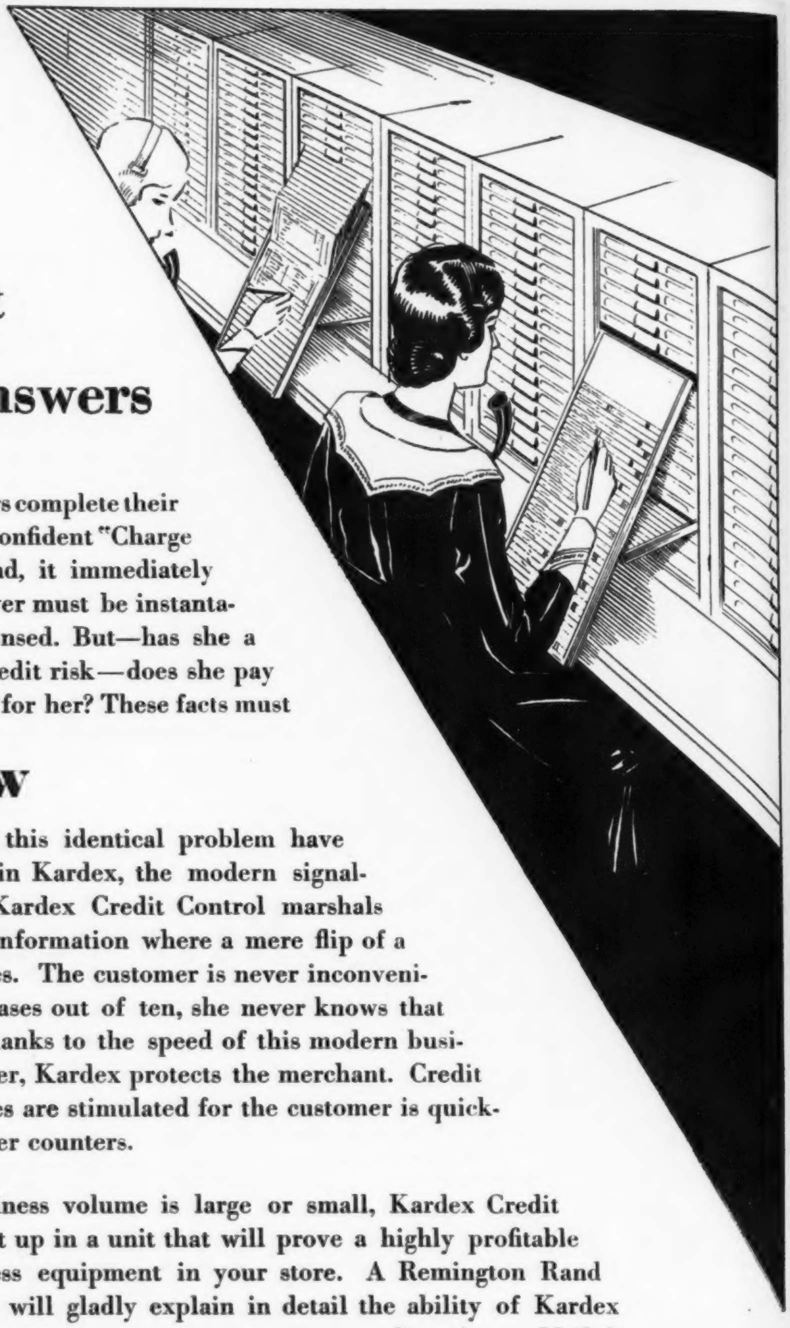

New
Business Equipment
to Provide Instant Answers

TODAY 50% of your customers complete their purchase with a curt and confident "Charge it!" Uttered as a command, it immediately raises a question. And your answer must be instantaneous lest your customer be incensed. But—has she a charge account—is she a good credit risk—does she pay her bills promptly—who vouched for her? These facts must be known *first.*

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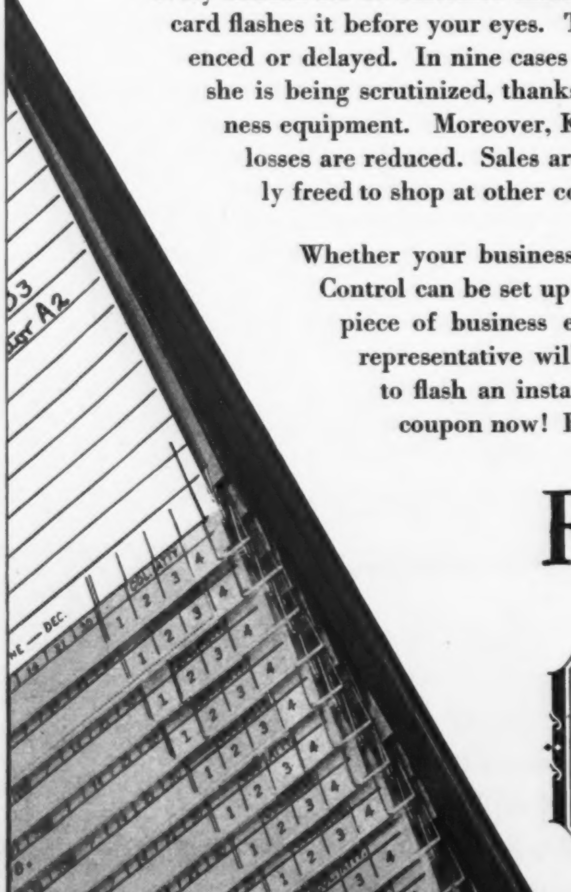
Thousands of merchants facing this identical problem have found a profitable answer to it in Kardex, the modern signalized system of credit control. Kardex Credit Control marshals every needed bit of customer information where a mere flip of a card flashes it before your eyes. The customer is never inconvenienced or delayed. In nine cases out of ten, she never knows that she is being scrutinized, thanks to the speed of this modern business equipment. Moreover, Kardex protects the merchant. Credit losses are reduced. Sales are stimulated for the customer is quickly freed to shop at other counters.



Whether your business volume is large or small, Kardex Credit Control can be set up in a unit that will prove a highly profitable piece of business equipment in your store. A Remington Rand representative will gladly explain in detail the ability of Kardex to flash an instantaneous answer to every credit request. Mail the coupon now! Remington Rand, Buffalo, New York.

Remington Rand

I am interested in Kardex Credit Control. C.F.M. 9

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CONTENTS FOR SEPTEMBER, 1931

looking ahead

The stimulus of the Fall season, which brings revival in every line after a sultry Summer, is responsible perhaps for the number of fine manuscripts which came into our office for the October issue.

Among those to be present are an article on the investment of corporate surplus by P. C. Rider, Vice President of Halsey, Stuart & Co., Inc., New York.

Also an analytical discussion of the foreign debt situation, by Bradford B. Smith, an associate of Colonel Leonard P. Ayres, of the Cleveland Trust Company. It discusses the background for the present political and economic unrest abroad.

And an article on the problem of distribution, from the point of view of the wholesaler, authored by M. L. Toulme, Secretary of the National Wholesale Grocers Association.

Not to forget that October's will be the Annual Insurance Issue and will carry a symposium on vital factors in the use of insurance, besides a special article on an insurance topic of importance.

our front page

This month's cover photograph reproduces, through the camera work of Wendell McRae in a special photographic study for us, a most unique device—a multiple check signer known as the Signagraph Jr., reproduced with the cooperation of Mr. Harry Armstrong, Treasurer of the Jos. Dixon Crucible Co. of Jersey City, N. J.

CREDIT and FINANCIAL MANAGEMENT

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CREDIT and FINANCIAL MANAGEMENT
Sept. 1931

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Vol. XXXIII No. 9

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REMEDIES, plans, programs, cures, and formulas for business recovery have been laid down before American business in an unceasing barrage. It is the purpose of a barrage to form a curtain of bursting shells, fired so as to fall in a line in front of advancing troops, in order to protect them from attacks. Obviously, a barrage of business remedies should serve the fundamental purpose of protecting business from retrogressive attacks as it endeavors to make headway into a brighter future. Both the plan and purpose have failed and the reason is not difficult to understand.

The algebraic formula which serves as a title for this editorial should be reproduced and placed on the office walls or on the desk of every business executive. This is an actual mathematical formula for *constructive imagination.* Business men, both during and preceding this depression have been painfully lacking in constructive imagination. They have had instead what might be called ostrich imagination. Macaulay, writing about John Dryden, said "His imagination resembled the wings of an ostrich. It enabled him to run, though not to soar." Too many of the country's outstanding business leaders have ostrich imaginations. In their endeavor to use business vision they have become visionary. It is pitiful to stand on the side lines today and watch business and government leaders floundering and flopping around in the awkwardness of their ostrich imaginations. Our business leaders have not applied the constructive imagination formula to their manufacturing and production programs, to their distribution campaigns and to their financial and security prospectuses.

A lack of constructive and creative imagination symbolized in the above algebraic formula is the major reason why the ten years from 1921 to 1931 will go down in economic history as *the decade of excesses.* William Blake, the English artist and poet, writing over 150 years ago said, "The road of excess leads to the palace of wisdom, for you never know what is enough unless you know what is more than enough." William Blake should have added that you'll never know what is enough unless you have imagination enough to know what is more than enough. Have our past two years of economic dyspepsia and biliousness taught us what is more than enough?

Stand by and watch the excesses on parade—see them march to the tune of a world wide depression dirge: millions of bushels of wheat to burn and to rot while bread lines are beginning to network the country; three million bales of excess cotton on hand and at least the same number of human beings will suffer from the cold this winter; real estate is dragging bottom and weakening the great mortgage stratum of our financial system, yet greater skyscrapers than ever before are being erected; hotels throughout the country are going into bankruptcy, yet bigger and finer hotels are being built—these and hundreds of similar cases that might be quoted are eloquent of excess in everything except creative thinking and constructive imagination.

Everyone was willing to take the responsibility for our prosperity. No one is willing to take the responsibility for the depression. Yet it is an obvious fact that the same men and the same leaders must be responsible for both. Mistakes are red lights illuminating the roads of experience, yet our leaders are constantly driving us through economic red lights into further inexcusable mistakes and excesses. Lack of imagination makes business p-r-o-p-h-e-t-s; constructive imagination makes business p-r-o-f-i-t-s. Business profits are conspicuous by their absence. We do not have to search far for the reason. We have too many leaders with ostrich imagination. There is altogether too much flapping, flopping and floundering—and not enough soaring. The country needs men who can conform to the algebraic formula above. We have had more than enough of mistakes and excesses. We certainly should know what is enough. Our rightful inheritance is a palace of wisdom. We can only come into our own if we have business leaders with imagination to light the way.

Chester H. McCall

COLLECTION LETTERS IGNORED?

The Postal Telegram gets "in" every time... and gets the action you intend it should get.

CERTAINLY... *you can send Postal Telegrams by telephone!*
Just ask for "Postal Telegraph" or *dial* your local Postal Telegraph office. Then dictate your message for anybody... anywhere. In most localities the charges will appear on your telephone bill.

...*POSTAL TELEGRAMS will get attention!*

●

When you want quick action from slow accounts... use Postal Telegraph.

When you need up-to-the-minute facts on a credit situation... use Postal Telegraph.

For the Postal Telegram gets in... gets attention... brings results... quickly.

Postal Telegraph will carry your inquiries and orders and thoughts to 70,000 places in the United States and 8,000 in Canada. It will flash your messages not only with speed, but with accuracy and dependability. And through the great International System of which Postal Telegraph is a part it will transmit your messages to correspondents all over the world through the perfectly coordinated facilities of telegraph and cable and radio.

If you want action, *you* must act. Reach creditors by Postal Telegraph.

• • •

Postal Telegraph is the only American telegraph company that offers a world-wide service of coordinated record communications under a single management. Through the great International System of which Postal Telegraph is a part, it reaches Europe, Asia, The Orient over Commercial Cables, Central America, South America and the West Indies over All America Cables, and ships at sea via Mackay Radio.

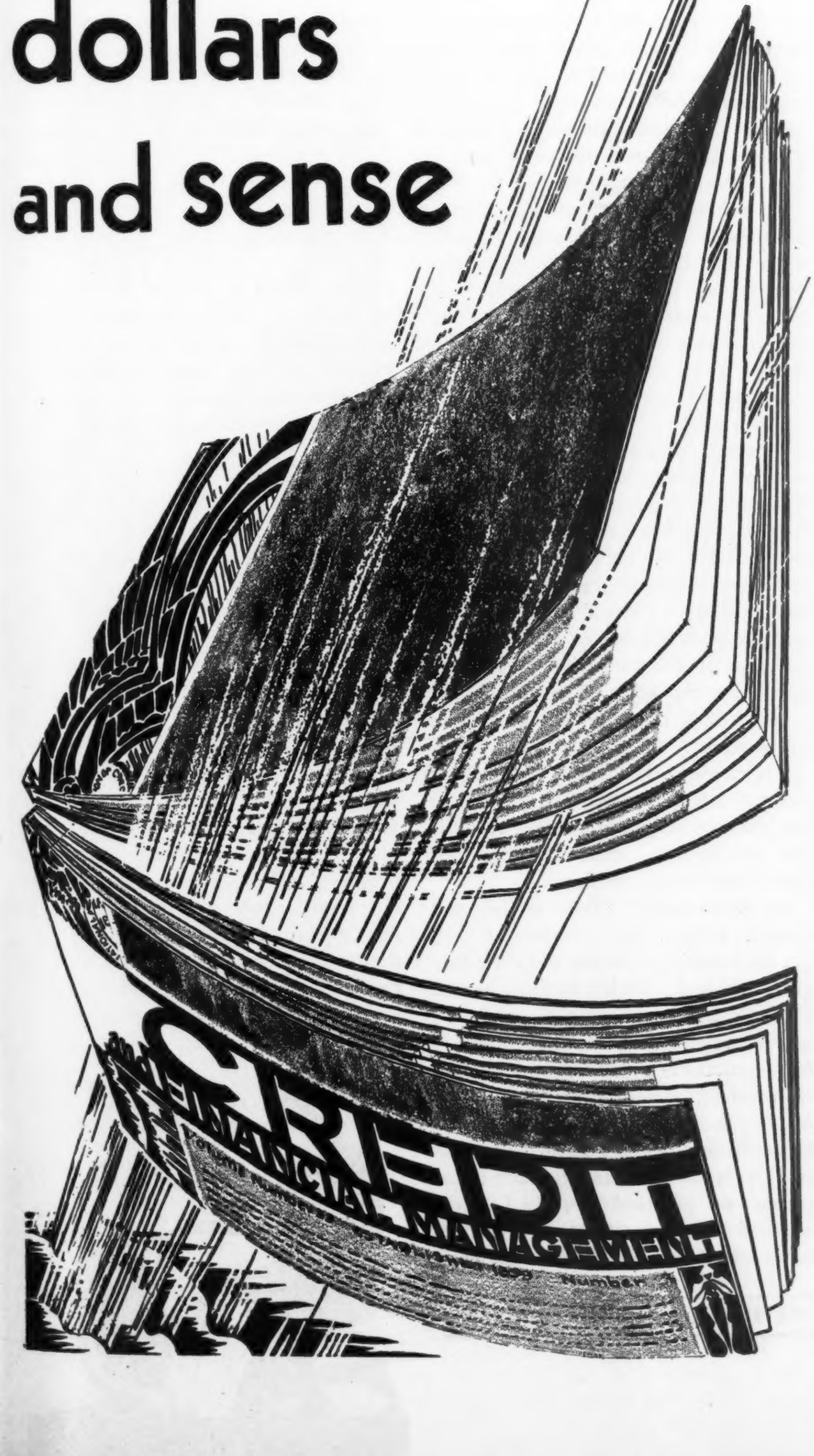
THE INTERNATIONAL SYSTEM

Postal Telegraph

Commercial Cables — All America Cables

Mackay Radio

a cross section of this issue in terms of dollars and sense



■ You can easily save from two to ten thousand dollars a year by a simple change in your collection procedure. One up-and-coming credit executive has done it. A saving of from anywhere to two to six thousand dollars is nothing to sneeze at—even if you have hay-fever. You will find how to make this saving on page 26.

■ We also bring you in this issue, one of the best antidotes for business blues that you have ever read. A remarkable prosperity record was established in our dark hours of depression. Read page 10 and then attach a routing sheet to this issue of your magazine and pass it around so all of your company's executives may read about this unusual achievement.

■ And while you are passing the magazine around, you might call their attention to the article on pages 8 and 9. This really is much more than an article. It is a definite method whereby you can put business facts and statistics to a scientific test and find out whether they are sound and reliable. You owe it to yourself and to your organization to base your decisions on the right kind of business information. This article is published specifically to fulfill this purpose.

■ We have a new department this month called "Our Readers Think." You will find it on page 36. It is your forum. Let us have your ideas for it.

■ The platform (page 11) of the new Executive Manager of the National Association of Credit Men is laid down in this issue. We are on the threshold of the credit fraternity's greatest opportunity. Read what the Executive Manager has to say.

■ Do you know how to evaluate accurately instalment credit sales? Although the article on pages 22 and 23 is written from the banker's viewpoint, it is nevertheless of the greatest value to every company that sells on the instalment basis. After all, you should know as much about your instalment position as your banker knows.

■ As long as national and world markets are glutted with raw materials and commodities, business cannot go ahead. You cannot make intelligent appraisals of the business situation unless you are familiar with the liquidations of surpluses. Merryle Stanley Rukeyser, one of the country's outstanding financial writers, gives a pertinent analysis (page 24) of surpluses and liquidations.

a business talk with Luther L. Blake, President, Standard Statistics Company

by CHESTER H. McCALL

IF the depression has done nothing else for us it has at least made us more confirmed fact-wanters and more astute fact-finders. The vast strides made by research in every field of endeavor has developed a fact-finding tempo for American business.

Dr. Julius Klein, in his address before the 1931 Convention of the National Association of Credit Men said, "Recovery will begin when we base action on analysis. Facts are the chief factor".

Fact-finding is an indisputable remedy for business ills and chills. Sound business statistics are filtering lenses through which the executive may look from the present into the future. But the significant question is, "How can I as a business man know how much faith and dependence I can place in business statistics? Which statistics are good and which are bad? With the veritable flow of charts, graphs, indices and statistics that deluge my desk daily how am I to approach the interpretation and handling of business statistics with any degree of facility and certainty?"

Edmund Burke, the famous English orator and legislator said, "You can never plan the future by the past". Burke went on to explain that a failure to elucidate and appreciate properly facts of the past and of the present constituted an obstacle that precluded a planning of the future by the past —or even the present.

Thousands of business executives feel the same way that Burke did. Readers of this magazine have written letters to the Editor deploring the lack of faith they have in the general run of statistics, indices and graphs.

In order to present to our readers an intelligent interpretation of business statistics and facts in their various ramifications and meanings, I went to a man whose business life has been given over to building one of this country's outstanding fact-finding institutions.

The Standard Statistics Company might be called "The House of Facts". Its only commodities are facts and statistics—facts and statistics about what business has been, is and is going to be.

On Thursday morning, August 27, I visited Mr. L. L. Blake, President of the Standard Statistics Company, in his office. We discussed the general significance, importance and reliability of business statistics. That they are significant and important—providing they are sound—we both agreed. But we called a halt in our affirmations when we came to consider their reliability.

"Do you think the business statistician can foretell what the business weather is going to be with as much accuracy as the weather man is able to forecast weather conditions?" I asked.

"You must first accept the premise that most complete and accurate facts obtainable about a given industry at a given time will enable you to chart with comparative exactness the future course of that business. I believe firmly that given a sufficient basis of facts, business conditions can be foretold with as much certainty as weather conditions. Even if business statistics were only fifty-one per cent. right they would still be quite valuable. Fortunately, many facts and statistics available have much better than a fifty-one per cent. average.

"Sometime ago a study and comparison was made of the relative accuracy of various statistical and fact-finding services. This analysis proved that over a ten-year period, the business forecasts published by our company were more than eighty per cent. right. This, you must admit, is a great deal better than guessing. I think that most business statistics are better than guessing and that if the executive looks upon them from this point of view he'll find a great deal of concrete and helpful information".

I next asked Mr. Blake if he could give me something like a test formula that the executive could apply to business statistics in order to determine their worth and soundness.

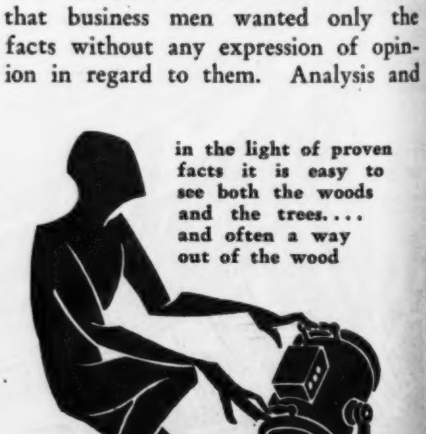
Mr. Blake smiled, "You can only tell whether a figure or a statement is a fact by knowing how the so-called fact was established. Such a formula as you ask for can be very simply stated. A fact is established by accurate observation, accurate records, accurate evaluation of elements pertaining to that fact and by an accurate correlation of all the conditions bringing about and causing that fact. As a business man using statistics for practical purposes I would want to know in addition to these points I have mentioned the experience and reputation of the fact-finding bureau or organization from which the statistics emanate.

"I don't believe that business statistics as a rule, are inclusive enough. Too many deductions are based on incomplete facts. The analysis of an industry should be thorough enough to include a majority of facts about a majority of the units in that business. Too many people have acquired the habit of looking at trends and averages as facts. Repetition in fact-sources is also important. Statistics from one source one month and from another the next are decidedly dangerous."

After Mr. Blake completed this analysis of how a fact should be established I thought of the wise formula laid down in the days of ancient Greece by Hippocrates, the great physician and scientist. He presented three fundamental principles upon which science must be built. Business decisions should be reached by much the same process. In substance these principles are: 1. There is no authority except facts. 2. Facts are obtained by accurate observation and experiment. 3. Deductions are to be made only from facts.

If the business man has every reason to believe that the facts before him are honest and sound is he in a position to make the proper interpretations and deductions from these facts? I presented this question to Mr. Blake, who replied:

"A page out of our experience may answer that question. After the founding of our business service, subscribers grew to about three thousand. We reached this point and gained very few new subscribers. As it was our business to find out what was wrong with other businesses we practiced what we preached and did to ourselves what we did unto others. We had conducted our statistical services with the idea that business men wanted only the facts without any expression of opinion in regard to them. Analysis and



in the light of proven facts it is easy to see both the woods and the trees.... and often a way out of the wood

better than guessing

'1 Fact' permits a separation of the '1 F' and the 'act'

research convinced us that business wanted our opinions regarding the facts we assembled. As soon as we started to publish opinions, interpretations and forecasts our business grew by leaps and bounds.

"With the extent and diversity of business facts today it is almost impossible for any executive to have enough contacts or enough time to consider the entire array of facts and deduce his own conclusions. If he did this he would do little else. Economic forces are so complex today that a man must study facts and figures about other businesses and industries than his own. He cannot be expected to know as much about them as about his own business so it is not illogical to assume that he should look to wise counsel for opinions and interpretations."

"Which type of business indices do you believe the most dependability can be placed upon?", was my next question.

"Many of the charts, graphs and indexes that are used are too empirical, I feel, to be of specific value as a management tool. I favor strongly the individualization of business statistics. Industries and businesses should be classified and facts gathered on each unit of the classification. It is interesting to study the curves and lines on charts and graphs but at best one only gets a general interpretation of a general condition. Factual and statistical studies should be more specific and thorough. If there is a production slump that fact in itself is not enough. We must get behind the facts and find out the reasons, causes and effects. In business today we need more reasoning from the specific to the general. We have too much reasoning from the general to the specific—and our tendency to generalize business facts and statistics is one of the reasons for this mental tendency."

Before the market crash in 1928 and the subsequent depression in 1929, danger signals were certainly evident in the available business statistics. Yet how many business men, how many business and government leaders, saw these danger signals and pointed them out to the public. Either the business statistics were wrong or the methods of appraising these statistics were wholly inadequate.

"A week before the market crash in October, 1928, the New York *Times* and the New York *Herald-Tribune* carried eleven prognostications made by business leaders, economists and bankers. According to these men, business was going on to greater and greater heights. And they offered "facts" to prove their statements. On the day before the crash one eminent economist and professor, in an article in the New York *Times* said, "stock prices are too low." And then a few days after the October debacle one of our leading bankers, before sailing for Europe, called the market collapse, "a shaking out of the lunatic fringe." If business facts and statistics, in the possession of these men, were the basis for such unsound and misleading deductions, is it any wonder that a great many business men have lost faith and confidence in business statistics and facts as a trustworthy barometer.

We know, of course, that these experts chose to forget facts for the purpose of creating a constructive and optimistic psychology. Apropos of this Mr. Blake said, "Business psychology should be based on a sound analysis of sound facts. If the depression has taught us any one great lesson I believe it has influenced business men to want and to get facts and then to make sure that these facts are sound. The statistics of our company indicated several months in advance that trouble was

(*Continued on page* 39)

depression suppression

a 'WILL', opposed to 'cant', found a way

an achievement by LUDWIG BAUMANN

WHILE the shadows of gloom from the business depression have cast a twilight of pessimism over the land, one great furniture store has established the most remarkable record of its seventy-three years of business existence. From July 1, 1930, to July 1, 1931, Ludwig Baumann, one of New York's outstanding furniture stores, had the most successful year in its history. A perusal of this remarkable record set out in the accompanying chart will give you the facts substantiating this statement.

While merchants in every line of business were talking depression, this furniture store made its most remarkable record. WHY?

Examine the figures in the chart and you will find the significant fact that credit, properly handled and properly promoted is the secret behind this amazing record. 53.5 per cent. more new accounts, 85,730 people opening deferred payment accounts with Ludwig Baumann this year. This surprising total represents more new accounts than this store has ever before opened in one year's business. This record increase of 53.5 per cent. in new accounts resulted in a sales increase of 16.2 per cent. and an increase in total business volume of almost $2,000,000.

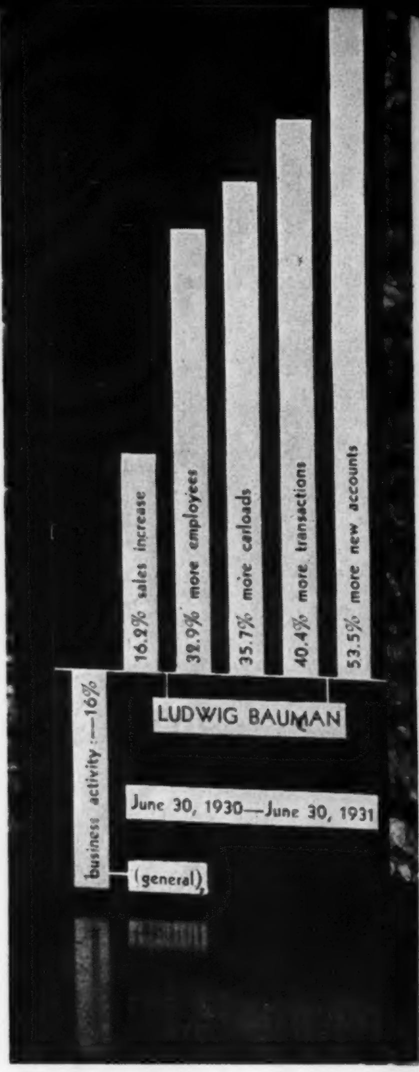
It is our contention that credit properly correlated with merchandising efforts and soundly administered, will do more than anything else to help bring business back. In all of Ludwig Baumann's advertising and sales efforts, this company has capitalized on the power and importance of credit. An examination of Ludwig Baumann's credit methods proves that every new credit account has been extended for sound and scientific reasons. This company has not gone ahead and merely built up a record of 53.5 per cent. more new accounts through careless credit administration.

Of course, the Ludwig Baumann executives were awake to every essential. They were quick to take advantage of every change in market prices, they stimulated an increased buying demand and cleared their "before-depression merchandise" soon enough to be in a strategic position to restock as the changing market created new low price levels.

Take notice in particular of the last percentage figure on Ludwig Baumann's scroll of accomplishment—32.9 per cent. more employees. These employees with money to spend also constitute an important purchasing power contribution.

We doubt that there is any record of merchandising and credit achievement in the country today that can equal this feat of Ludwig Baumann's. Wise merchandising and wise purchasing have an important effect upon this year of accomplishment, but the percentage figure that sticks out like a Mount Everest above the plains is the 53.5 per cent. more new accounts. Credit was utilized and utilized wisely. In this case, as in many more, credit was the motive power behind one of the greatest merchandising successes of the present business year.

In these days of declining sales, declining profits and declining employment, there is a real object lesson in the amazing record of Ludwig Baumann. It is certain that Ludwig Baumann never would have achieved this record had its executives followed the lead of business and initiated a curtailment program over the past year. It would be well worth while to preserve this page and read it at least once a week. Clip a



routing sheet on this issue of the magazine and send it around to all the executives in your company. They need to read the following record:

16.2% SALES INCREASE

Sales for the Ludwig Baumann Business Year ended June 30, 1931, $13,666,793, the greatest amount in any one of the company's entire 73 years of business. (Compared with $11,751,558 the preceding year.)

40.4% MORE TRANSACTIONS

Almost a million individual purchases were made in their stores this past year, an unparalleled number for a homefurnishing organization.

53.5% MORE NEW ACCOUNTS

85,730 new people opened "deferred payment accounts" with Ludwig Baumann this year. More new friends than they ever made in one year.

35.7% MORE CARLOADS

They gave unemployment to more people than in any previous year. These people, with money to spend, did their bit to help fight the depression.

now more than ever

the strong arm of clean credit practice must hold and heighten the upward trend

by HENRY H. HEIMANN
Executive Manager, N. A. C. M.

THE need for the National Association of Credit Men was never more pronounced than at the present moment. The maintenance of high credit standards must be an integral part of the foundations of business stability and of the welfare of mankind.

The solution to our economic problems can never be curtailment of production; such a policy can at best be nothing more than a temporary stopgap to meet an unusual emergency. Taken as a solution for economic difficulties, it is an admission of failure; it is an acceptance of the darkly ominous conclusion that we do not dare advance further. Our great hope must lie in the development of a "science of distribution." We must learn that the problems of distribution are even more vast in scope and in effect than are the problems of production. We must believe, therefore, that ingenuity and courage and judgment and vision are at least as important in distributive activities as they are in productive operations. If we refuse to accept this conclusion and if we fail to act upon it, our economic system will become a distorted monstrosity. It will crumple more and more frequently under the weight of "too much prosperity."

As an inseparable part of the science of distribution, there must be a science of credits. If this latter science fails to keep pace, our distributive system will itself be so distorted that it cannot function. What question, then, can there be of the future of the Credit Association? Our economic order has become so complicated in its operation and our business practices have become so intertwined in their effects, that no individual is powerful enough to work alone. Individualism need not be lost; but the individualism of one must be exercised in cooperation with the individualism of others. Effective co-operation does not mean the merging of individuals; it means joint action on the part of men who are intelligent enough and far-sighted enough to work together for ends which are mutually beneficial. Real co-operation is merely individualism made effective.

If there is doubt in the mind of any one concerning the future of our association, such an attitude is not in harmony with the spirit of courage which has dominated the lives of those who have built the organization; neither is it a logical deduction to draw from a survey of the business world today, nor from a preview of the probable business world of the future.

One need only go back to credit conditions and credit practices prior to the formation of the National Association of Credit Men to understand the important role it has played in the development of credit technique and the improvement of credit practices. The very purposes and motives of our organization are unselfish. Our vison has always been broad, working at all times for the benefit of general business rather than seeking to help any specific industry at the expense of other industries.

Any program we have initiated has had as a fundamental, the elevation of business practices and the institution of high ideals in credit fields. Silently, almost it seems unnoticed, we have gone about doing our work. Although credit has always been and will always continue to be the dynamo that supplies the power for business expansion, there has been very little showmanship about it. Although its development has always paralleled the progress of civilization, history does not give it the place it so richly deserves in matters pertaining to human welfare.

It took a world crisis to parade credit on the commercial stage; its effect on human welfare was never more keenly appreciated than at the present moment.

Nationally, it has always been a tremendous influence. An adequate credit system is as fundamental as the pursuit of our agriculture. Whether it be through the National Association of Credit Men or some other organization, the fluid commodity of credit will always be developed, controlled, purified and fully utilized. There is a challenge thrown down for leadership in the field of credits today. No other organization is superior to ours in fine tradition, years of experience, deeds of accomplishment and high ideals. We have reached an age where a crystallization is at hand. That age could not have been reached without the fine background of experience and accomplishment that our organization possesses. Always constructive, eternally vigilant, we have

(*Continued on page* 40)

the business

a compilation of business and

straws in the wind

blow hot, blow cold—the following straws indicate the strength and direction of the trade winds in recent weeks:

AUTO PRODUCTION: Seasonal variations, preparations for style changes in months to come and the vacation layoffs have cut production of automobiles considerably during the past month. The news of the hour, of course, concerns itself with the plans of Ford, about which there are many rumors including one that has considerable circulation—an eight cylinder car around the turn of the year at a price to meet any competition.

BANK CLEARINGS: For the week ending August 22, Bradstreet reports found clearings rising over the levels of the previous week by 3.1 percent, although at this level they were still below a year ago by 18.6 percent. New York City clearings were down by 14 percent from a year ago and cities outside New York were off by 25.8 percent. This larger total outside New York is due to bank failures in Toledo, which was 65.4 percent below a year ago.

BUILDING CONSTRUCTION: On August 22, the Bradstreet monthly report noted the value of building permits to be $69,167,500 for 1931 as compared to a monthly total a year ago of $102,446,000, which represents a drop of 36.4 percent

BUSINESS FAILURES: Dun reports for the week of August 20, revealed 444 business failures for that week in 1931 as compared with 436 failures in the corresponding week of 1930, a rise of 1.8 percent.

COMMODITY PRICES: The recent downward movement of wholesale prices halted in July, according to the Bureau of Labor Statistics, with the Bureau's index computed from 550 commodities and weighted according to each item's importance, resting at 70, figured on a base of 1926 equal to 100. August breaks in some commodity prices make it possible that August's average may be lower, despite the bottom that seems to have been reached when viewing the steady average of 70 for both June and July as the end of the long downward trend of two years.

FREIGHT LOADINGS: Revenue freight loadings for the week ending August 8, were 734,780 a drop of 169,377 from the corresponding week's figures in 1930 and 357,373 cars below 1929.

STEEL PRODUCTION: A slightly perceptible rise in production has occurred in this important industry, as reported in the Wall Street Journal for the week ending August 22. The rate was 33 percent of capacity compared with 32 percent in the week before. Possible wage cuts in this industry are being watched by industry throughout the country as an indication of possible wage-cutting nationally.

STOCK MARKET: Summer dullness on top of the continued low level of activity and prices has kept levels throughout the summer at a uniform level, despite occasional spurts after favorable news from abroad. The New York Times reports an incident suggestive of the Stock Exchange's dullness. A facetious note on the bulletin board of the floor read: "If you are looking for a real vacation—large room, air-cooled, good food, speedy service, backgammon; if you want to loaf in ideal surroundings, write to our secretary."

DR. JULIUS KLEIN, whose analysis of business recovery appears elsewhere in this issue, told the delegates to the recent convention of the National Association of Credit Men about the species of bird known as the "woozle bird," one that flies backwards because it is interested only in where it has been and not where it is going!

That is one instance of man's inferiority, because reverse propulsion is no easy task for any man anad walking straight forward, with the eyes turned to the rear continually, leads to a painfully stiff neck. Accordingly, it is wise for the business men of today to keep their eyes ahead. Concentrated study of analyses of what has gone on can teach us much about past mistakes but it is necessary to see what lies ahead before we tumble into a ditch, all our knowledge of past mistakes being of little worth in such an instance.

Here follows an admirably frank, terse, and humble account of how the world crisis probably came about and what can be done about it. It is by Robert W. E. Masson, Chairman of the French National Committee of the International Chamber of Commerce. Reviewing the present crisis, Masson emphasizes the wide divergence of opinion as to its causes and the remedies proposed. He admits also that he has no solution of the problem.

Among the causes to which the crisis has been attributed, he points out the war, over-production, under-consumption, over-extension of credit, gold movements. All of these, he says, are insufficient explanations of the causes leading up to the depression.

By way of remedies he points out the following as having been suggested:

"First cure: rejuvenate your methods of production, rationalize, etc., which is good but, for the present, this will increase unemployment.

Second cure: which was successfully applied in the second half of the 19th century: favor emigration from over-populated countries to less densely inhabited sec-

thermometer

financial trends and indications

tions. But who wants to greet immigrants today?

Third cure: Ask farmers to raise something which is not already superabundant. Is there any such article? I hear that Canada is helping farmers to raise hogs instead of wheat. Not being very familiar with these problems, I do not know whether this is a good plan. But, if hogs are about the only article for which there is a demand and if everybody goes a-hogging, how will the cure work?

Fourth cure: Let down trade barriers. This is a highly contentious problem as you know. I merely wish to say that the consequences of such an action should be carefully weighed because it is something that may help more than it hurts, but may also work the other way.

Fifth cure: Let the creditor countries be liberal with their capital and loan to agricultural countries less strong financially. I suppose this is not intended to enable the latter countries to increase their output and carry over their stocks, but to allow them to repay their local indebtedness, incurred at very high rates of interest. This is a perfectly sensible proposal. It is already being done. The public will respond if they are satisfied as to the guarantees offered and as to the financial and political stability of the borrowers.

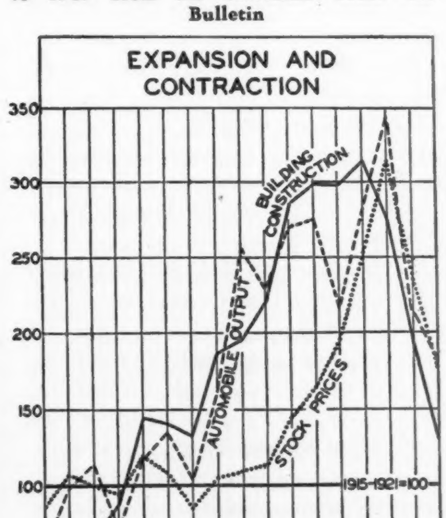
"There is nothing sensational, nothing particularly convincing about these cures.

"Perhaps we had better beware of people who have a great plan for solving all our problems at the same time, also of those who see the only means of salvation in State interference. No doubt good laws and regulations are useful, but only insofar as they act like the drugs prescribed by a sensible physician, who wants to help nature and not to take its place. The golden middle way between ill-advised meddling and easy fatalism may be hard to find; it is the eternal problem which, like the poor, we have always with us.

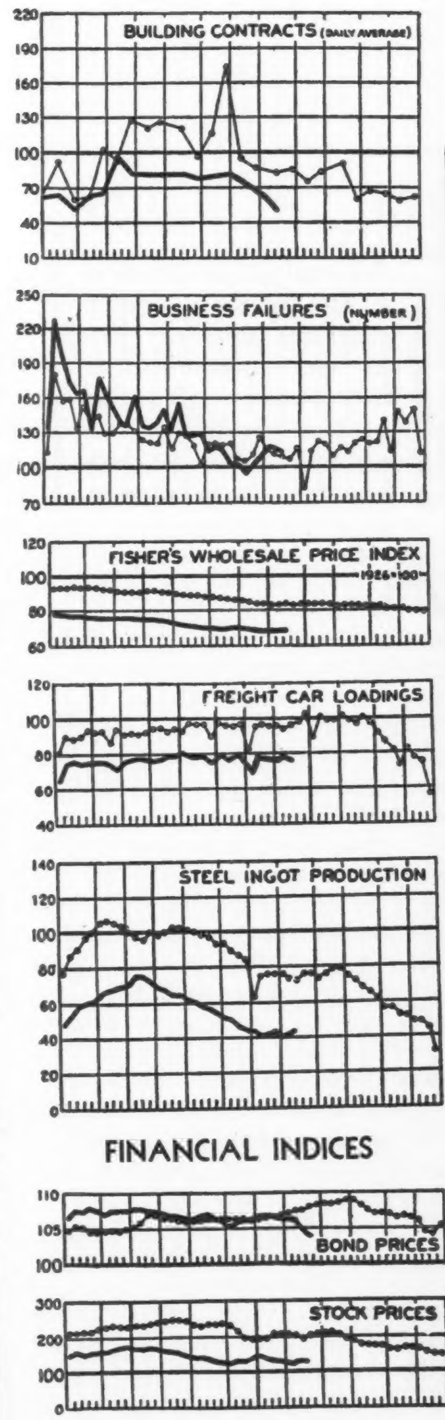
"I very humbly confess that the present situation is terribly complex, that my ignorance is great, and that the power of man for reconstruction is infinitely inferior to his power of destruction. Perhaps we cannot ever hope to prevent crises or to mend them rapidly. See what happens when two cars collide. We know, in their most minute details, the structure of each car. We may know the detailed circumstances of the accident. But we cannot foresee along what lines the two fabrics will be disrupted, because the determining forces are too complicated; so we call them chance, or fatality.

"But when the harm is done, we can help each other and we can try to learn some lessons. Never have we felt so clearly the economic interdependency of the continents. We must come together, confront our problems, exchange our views, learn from each other. If no general miracle can be devised to relieve the world situation, let us consider each aspect of it, and find out smaller and more practical remedies."

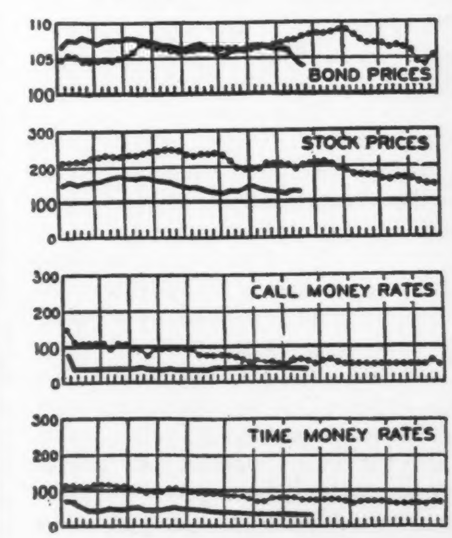
with the exception of Fisher's Index, U. S. Department of Commerce charts (right) are based on 1923-1925 average = 100 (below) the trail of market-glutting 1915 to 1929 from the Cleveland Trust Co. Bulletin



BUSINESS INDICES



FINANCIAL INDICES



Mexico
and Mexican credit

this analysis of developments in the Mexican monetary situation came to the Foreign Credit Interchange Bureau of the National Association of Credit Men from confidential sources.

A SUMMARY of the Mexican monetary law and its effect on business reveals that the new monetary law, abolishing the gold standard, and substituting therefor the silver peso as defined by the law of October 27, 1919, was presented to Congress for its approval on the afternoon of Saturday, July 25, 1931, and was immediately passed by both Chambers. The decree was signed by the President on the same afternoon, and was published in the official organ on July 27, the law becoming operative immediately. The measure was held in great secrecy, and, consequently, it was not possible for commerce to take protective measures to mitigate the losses which the law entails.

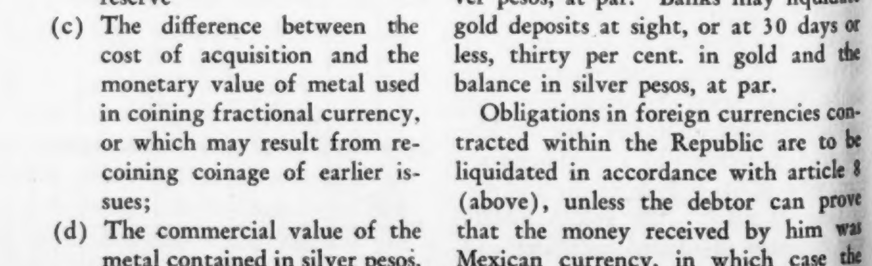
The principal features of the law are:

1. The par value of the monetary unit (the silver peso) is established at 75 centigrams of pure gold.
2. Legal currency now consists of
   (a) Notes legally issued by the Bank of Mexico;
   (b) Silver pesos, coined in accordance with the law of October 27, 1919;
   (c) Fractional currency consisting of ten, twenty and fifty centavo silver - pieces, and one, two and five centavo copper-pieces.
3. Notes issued by the Bank of Mexico will circulate voluntarily, but their acceptance in government offices in payment of taxes, services and custom duties will be obligatory.
4. Silver pesos are now legal tender for any amount.
5. Fractional currency of ten, twenty and fifty centavos is legal tender up to twenty pesos, and coins of one, two and five centavos are legal tender up to two pesos.
6. Government offices will receive such fractional currency, however, without limitation, in payment of taxes, services and custom duties.
7. Obligations contracted in Mexican gold may be liquidated with silver or copper, within their respective limitations, at par.
8. Foreign currency is not legal tender in Mexico, and debts incurred in such currency may be liquidated in silver, at the rate of exchange current at the date of maturity of the obligation.
9. The stipulations contained in the preceding two articles cannot be waived, and any renouncement thereof will be void.
10. Defaced coins have no legal tender value, and will not be accepted in Government offices.
11. The issuance of notes by the Bank of Mexico will be in strict accordance with the law of August 28, 1925, and its amendments.
12. Coining of silver pesos is strictly prohibited.
13. Silver pieces of ten, twenty and fifty centavos, and copper coins, can only be coined when required by the monetary needs of the Republic, and in exchange for silver pesos, which must then be retired from circulation.
14. A reserve fund, known as the monetary reserve, is established from the following sources:
   (a) Values constituting the balance of the regulating fund created by the law of March 25, 1905;
   (b) Profits derived from exchange operations on account of the reserve
   (c) The difference between the cost of acquisition and the monetary value of metal used in coining fractional currency, or which may result from recoining coinage of earlier issues;
   (d) The commercial value of the metal contained in silver pesos, which may be received in exchange for fractional currency;
   (e) The product of loans which may be contracted in order to increase the reserve;
   (f) Such sum as may be annually set aside in the budget for the purpose of increasing the reserve, or the product of taxes assessed for that purpose.
15. The monetary reserve is intended exclusively to cover the expenses or losses which may be sustained in foreign exchange operations which may be made on account of the reserve.
16. The monetary reserve retained in the Republic will consist of gold bullion or coinage, or of silver bullion or coinage calculated at the commercial value of the metal content, with the exception of fractional currency not exceeding three per cent. of the total silver pesos in circulation, which it may be deemed prudent to retain for exchanging for pesos as the money market may require. The portion of the reserve fund which may be held abroad must be on demand deposits in banks of unquestionable responsibility, or must consist of deposits of gold or silver bullion.
17. Silver pesos in exchange for fractional currency held in the reserve fund will be melted down, except such as may be required for exchange for the older issues of one and two pesos silver-pieces, which are to be retired from circulation.

Gold coins are no longer legal tender, and all restrictions governing their export or import are removed.

Obligations in any kind of Mexican currency, contracted prior to the passing of the law, may be liquidated in silver pesos, at par. Banks may liquidate gold deposits at sight, or at 30 days or less, thirty per cent. in gold and the balance in silver pesos, at par.

Obligations in foreign currencies contracted within the Republic are to be liquidated in accordance with article 8 (above), unless the debtor can prove that the money received by him was Mexican currency, in which case the debt may be settled at the rate of ex-



goes silver

'deflates'

change originally used in making the conversion, or, if this cannot be determined, then at par.

The law establishes a banking commission, consisting of the Secretary of Finance, as President, a delegate appointed by the administrative council of the Bank of Mexico, and five delegates appointed by banking institutions throughout the Republic. The commission will authorize the issuance of notes by the Bank of Mexico by virtue of rediscounting operations, administer the funds constituting the monetary reserve, and determine the cash reserves which the banks shall maintain in order to guarantee deposits at sight or at 30 days or less.

losses suffered by traders:

1. The difference between the exchange value of the gold peso (say $0.49 U. S.) and that of the silver peso (say $0.30 U. S.) applied to all of their accounts receivable, covering sales in Mexican gold.

2. The same difference applied to 70% of their Mexican gold deposits in banks other than the Bank of Mexico and the two other small Mexican banks.

3. The unexpected losses in accounts receivable, which may result from the inability to collect, even in silver, from customers who likewise are adversely affected by monetary law and special tax law, and who may be forced into liquidation.

4. The additional exchange which they must pay in purchasing foreign currencies to settle their obligations abroad.

5. A special tax of one per cent. of gross sales and other income in 1930, which is payable in three bi-monthly instalments in 1931.

Before any decisions may be taken by the commission, they must be approved by the delegate of the Bank of Mexico, and the majority of the other members. The Secretary of Finance may veto any resolution taken by the commission if, in his judgment, the economic equilibrium of the Republic may be affected.

The funds and values constituting the monetary reserve retained in the Republic, will be held on deposit by the Bank of Mexico under the direct care of the Banking Commission, apart from other funds and values of the Bank.

Two thirds of the cash reserves of the various banks will be held in a vault under the vigilance of the Banking Commission, and the remaining third will be held by the respective banks.

The issuance of notes of the Bank of Mexico in rediscounting operations may only be made within the limits determined by the Banking Commission, and in transactions approved by it.

Prior to the passing of the law, the silver peso was legal tender only up to twenty pesos, and silver two-peso pieces, of which there were relatively few in circulation, were legal tender up to one hundred pesos.

Owing to the greater stability of the gold pesos in relation to foreign currencies, it had become customary for distributors in Mexico to compute their costs in Mexican gold, and to establish their selling prices in the same currency. Upon the passing of the monetary law, their receivables in Mexican gold became payable in silver at par, resulting in an enormous loss, for which few of them had made provision in the way of reserves for exchange losses.

Seventy per cent. of their bank deposits in gold have been paid in silver, increasing the loss which will be sustained in their receivables (the Bank of Mexico and two small Mexican banks having few gold deposits are paying their depositors one hundred per cent in gold, but all other banks, both Mexican and foreign, are paying only thirty per cent. in gold and the balance in silver at par, in accordance with the terms of the law).

Their accounts payable, if they import direct, are in dollars or other foreign currencies, and as the silver peso has further declined in value in relation to foreign currencies since the passing of the monetary law, they are confronted with still greater losses in liquidating their commitments abroad.

Owing to the fact that the banks are now required to deposit a certain amount of their silver deposits with the Banking Commission, they are not at present

(Continued on page 50)

W. J. AUSTIN, President of the Austin Company, Cleveland, analyzes the laundry as a credit risk

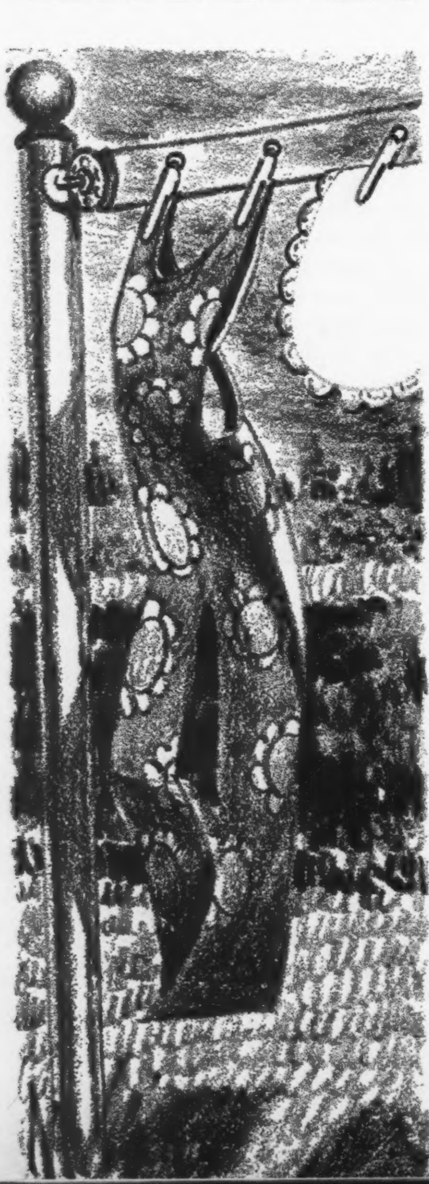
clean

while other industries are watching the public washing of their soiled linen the washing industry boasts little soiled linen to wash

CREDIT responsibilities, always keen, are greatly increased in times of business depression. Money, released from the demands of normal operation, becomes more plentiful, but the exigencies of the business situation enhance the credit risk until the question becomes not so much one of whether or not to lend but of where to lend.

When production is at low ebb, many requests for credit involve contemplated modernizing or replacement of manufacturing plants, executives in many cases feeling that the time to get ready for greater business is that time when operations will be interfered with least. Such reasoning is usually sound, particularly if the contemplated building operations are to assure modern manufacturing conditions, under which better work will be done at less cost and with improved working conditions for employees.

Decision on this class of credits involves the long view of the business of the applicant, because the credit is being sought for the betterment of future conditions rather than for use in a business whose present needs can be cited. There are some lines of industry, however, which are affected by the fluctuations of ordinary business so little that their credit problems remain a thing apart, to be considered without relation to general conditions.



Our company recently completed a nation-wide survey of the laundry industry, and the replies returned to our questionnaires indicated the business as a whole had survived the effects of the depression remarkably well. The survey showed that laundrymen generally were operating their plants at about 70 per cent. of capacity, and many reported a substantial increase over 1930. While there was some complaining about unfair competition, the vast majority were showing a good profit on the business done. Especially was this true where modern plants were being operated.

There are more than 6000 laundries in the United States today, and they did a gross business of nearly $500,000,000 in 1930. More than $160,000,000 is invested in plants and equipment. In actual operation, the laundry industry is to be regarded more as a public utility, because of the universal nature of the market served, both domestic and commercial. It is also noteworthy because it has 52 sales cycles every year.

A recent investigation of the Laundryowners National Association, comprising the leading laundryowners in the United States and Canada, revealed that 50 per cent. of the laundry's weekly business is on a cash basis, and 50 per cent. on a credit basis, with 20 days being the average length of time that an account is outstanding. Few business have such a favorable operating status.

The investigation further revealed that only 23 per cent. of the working capital is represented by inventory; that 81 per cent. of the capital is owned and that 22 per cent. of the capital has been secured through profits. The industry is comparatively free from failures, and spent $5,225,000 for advertising and promotion in the past four years.

Here then is a nation-wide and year-around business. Its operation is most favorable for adoption in nearly any sizeable community. I am inclined to think that the increasing importance of the laundry industry every year has epitomized the emancipation of the housewife from domestic drudgery, and the advancing living standards of the country. Its logical program is to perform better work at lower cost through up-to-the-minute plants.

The laundry business is no different from other industries in that present conditions necessitate new operating methods and plant facilities. Straight-line production, labor-saving equipment and improved working conditions are contributing to reduced costs of operation in the modern plant. We are unwilling to concede that the building is not an integral part in gaining this efficiency. One of our clients for whom we designed and built a modern laundry reported a 25 per cent. increase in business before the new plant was opened, simply because route men, salesmen and the advertising department cashed in on the opportunity of selling a new plant to the housewife. In reality, the plant sold itself. Substantial gains in efficiency were reported after this laundry began operations.

We often hear complaints from laundry-owners that bankers do not give fair consideration to their applications for loans. No doubt one reason for this is that bankers have known very little about the laundry business in general. Another reason may have been that the laundry-owners themselves knew too little about their own business from the cost accounting standpoints.

However, a general picture of the laundry industry as compiled by its national organization may interest credit men who have applications for loans pending. According to the 1929 sur-

linen

vey, the average laundry dollar received was distributed as follows:

	Per Cent.
Productive labor	26.88
Collection and delivery	17.70
Office, administrative, selling	15.11
Supplies	9.88
Machinery, equipment, overhead	8.81
Indirect overhead	5.46
Direct power	5.41
Building overhead	3.68
Net profit	8.07

Additional facts and financial possibilities of the laundry industry are evidenced by a consolidated statement of assets and liabilities for 1929. It follows:

ASSETS		Per Cent.
Current Assets		
Cash	$ 15,295,620	3
Accounts Receivable	35,689,780	7
Inventory	30,591,240	6
Other Current Assets*	50,985,400	10
Total Current Assets	$132,562,040	26
*Prepaid insurance, interest paid in advance, prepaid expenses		
Fixed Assets		
Land and Buildings	$147,857,660**	29
Machinery and equipment	229,434,300**	45
Total Fixed Assets	$377,291,960	74
Total Assets	$509,854,000	100
**Less Depreciation		

LIABILITIES		Per Cent.
Current Liabilities		
Accounts and notes payable	$ 56,083,940	11
Long Term Liabilities		
Mortgage and bonds payable	40,788,320	8
Net Worth		
Capital Stock	300,000,000	59
Surplus	112,981,740	22
Total Net Worth	$412,981,740	81
Total Liabilities and Capital	$509,854,000	100

Balance Sheet Relationships

Net Working Capital	$76,478,100
Net Working Capital ratio	$2.36
Earned on Net Worth	9.9%
Per Cent. Operating Profits on Total Capital	8.07%
Turnover of all Capital	$1.00
Turnover on Fixed Property	$1.35

For the individual laundry-owner, the banker naturally loans money on the credit worth of the borrower, and this depends on the present condition and future possibilities of the business and the character of the person seeking a loan. The banker gets a good analysis of a man's character from general observation and reliable recommendations. But to analyze the business and determine its prospects, it is necessary to obtain more specific information. This data is usually available in the form of a statement of assets and liabilities, income statements and other supplementary information.

A borrower's capital position can be determined from his statement of assets and liabilities. His ability can be determined primarily from his income statement and secondly from his statement of assets and liabilities. These two statements show what he has accomplished over a period of time, and how he has done it.

In one case which has come under our observation, a large eastern laundry was operating in a four-story plant and decided to replace it with a modern single-story building, laid out for efficient straight-line production methods. The new plant was built to take care of a business practically twice the size of that done in the old plant. The business this laundry is doing, approximately $600,000 annually, is being done at a saving in operating cost of 6 per cent. on its gross receipts, with an additional saving of 2 per cent. on the volume of business by means of efficient power plant operation.

This laundry, costing $300,000, consists of a main building 160 by 210 feet, with a mezzanine classifying department, a boiler and engine room and a garage. It can readily be seen that with a saving now of $48,000 a year, it will take but a little over six years for the savings on the present volume, which is but half the capacity of the plant, to pay the entire cost of the plant. Operation at full capacity would pay all the new plant cost in three years.

Another laundry, operating a multi-story plant, has established a new branch in a neighboring city. This branch, a modern single-story structure with mezzanine, is showing a saving of 7 per cent. in operating cost and 1½ per cent. in power plant cost on a business of $150,000 a year. As the cost of the new building and equipment was $80,000, it is evident that a saving of $12,750 each year will pay for the new plant in a little more than six years. Many similar cases might be cited.

We know from experience that bankers are making a desirable loan, with no unreasonable risk, when they assist a capable and progressive laundry-owner build a new plant or modernize his present facilities. If a satisfactory market is present, a modern laundry will return an adequate and steady return on the investment, and function with the precision of a machine under intelligent management.

twin

From the insurance reservoir run the twin streams of loss payments and conservation. Insurance does more than indemnify; it protects and conserves. This conservation phase of insurance is often overlooked by business.

by ALBERT W. WHITNEY
National Bureau of Casualty and Surety Underwriters

INSURANCE is primarily distributive: it creates a fund made up of the contributions of those who are exposed to a risk and distributes it to those who have experienced the misfortune. Conservation, the prevention of the misfortune itself, is a by-product. By-products however have often turned out to be more important in the end than the primary products themselves. Conservation has proved to be more important than distribution in several lines of insurance and this may turn out to be eventually the case in other lines. In all lines conservation is coming to be more and more important relatively.

Insurance as distribution consists, in its essentials, first, in the determination of the amount, the premium, that must be charged to one who is exposed to a risk in order to create a fund sufficient to make payments to those who will have suffered this misfortune, which is the work of the actuarial department; second, in the getting together of a group of persons, the assured, who desire to enter into such an arrangement, and the collection from them of the proper premiums, which is the work of the production department; third, in the distribution of the funds so collected to those who have suffered the misfortune, which is the work of the claim department.

It will be observed that the two types of payment, first, the payments to the insurance company by those who are exposed to the risk, and second, the payments by the company to those who have experienced the misfortune, differ radically in one respect. The payments by the assured are payments-certain, the payments to the assured are payments contingent upon whether the misfortune has or has not occurred. The assured exchanges the possibility of a contingent loss for a smaller payment-certain to the company. The company on its part secures the certainty that is necessary for the conduct of its business through the combining of a large number of risks and the working out of the law of averages.

Now how is it and where is it, in the working out of this system of distribution which does no more than spread the incidence of the misfortune, that conservation creeps in? Why should not insurance confine itself to the primary task of distribution? This in fact is what happens in the early stages of insurance. It is only comparatively recently that conservation has come to play any important part in either fire insurance or life insurance.

The typical fire underwriter of fifty or sixty years ago not only quite definitely looked at his job solely as one of collection and distribution, but when he thought of fire prevention it was with the feeling that it was something that would tend to make insurance unnecessary. Today however the fire insurance companies are the leaders in the intelligent and effective conservational activities of the country in the field of the fire hazard. It is similarly only very recently that the saving of life has entered into the consciousness of life insurance underwriters as part of their job.

Casualty insurance is a much newer form of insurance and from the first it has been more hospitable to the idea of prevention, and preventive activities have always had some considerable place in it. At least two lines of casualty insurance have, however, been developed in such a way that prevention has assumed the major place. The most notable of these is steam boiler insurance. A steam boiler explosion is such a fright-

streams

ful catastrophe, and an explosion is so clearly not an "act of God" but an act of man and subject to control, that from the first the preventive aspects of steam boiler insurance have been of importance. In fact today the part of the premium that goes into prevention is three or four times as large as the part of the premium that goes to pay the losses. The same thing, to a less degree, holds for machinery insurance and elevator insurance where the cost of inspection is also greater than the losses.

Fire insurance, workmen's compensation insurance and life insurance are the best forms of insurance in which to study the economic aspects of conservation. Consider the case of an ordinary life insurance policy for instance. The examination has been made, the risk has been accepted, the premium has been fixed, the stage has been completely set and the only element of uncertainty in the situation is how long the assured will live.

If he lives out his "insurance expectancy" the company will break even, if he lives beyond this point the company will make money so far as this risk is concerned, both because of the interest on the reserve during this extended period and through continued payment of the premiums. If he fails to reach this point the loss will have to be made good by the accumulations on the policies of those that have lived longer. Now, while through the working out of the law of averages the business can be conducted satisfactorily on such a basis, if the company by its efforts can make a given assured live longer than he otherwise would or if the company can raise the expectancy of its assured in general, such results are clearly a benefit to the company and the sole question from an economic point of view is whether or not this benefit to the company has been secured at too great a cost to make it profitable.

The situation is practically the same in the case of fire insurance. A building has been insured. If the building burns during the year, the company will have to pay under its policy; if it does not burn, the company will not have to pay. It is clearly to the benefit of the company to prevent the building from burning provided this can be done at not too large an expense and it is clearly to the benefit of the company to reduce the burning-ratio in general of the risks that it insures.

The fire insurance situation differs from the life insurance situation, first, in the fact that destruction may be postponed indefinitely as over against the certainty of death and, second, in the fact that the fire insurance contract runs only for a year, or a few years as over against a contract in life insurance that runs in general during the life of the assured. The former distinction is of no importance either actuarially or socially but the latter has significance and introduces a new consideration that has an important bearing upon conservation.

Rates in insurance are made upon experience but the making of rates upon experience involves, first, the completion and maturing of the experience over the period in question, second, the compiling of the experience, and third, the making of rates thereupon. All these things take time and further time is required for getting the rates into effect. Therefore a period must elapse before a change in experience shows in the cost to the assured. In other words, there is always a time-lag between the experience and the rates. If there were no time-lag on the one hand and if on the other hand the contract were such that the rates were adjusted immediately as the experience changed, there would be no economic inducement for the exercise of preventive activity, for a change in experience would immediately show in the rates and there would therefore be no opportunity to capitalize the effects of prevention.

The extended duration of the contract and the time-lag are therefore exactly the elements that make preventive activities profitable. This is not all however. When there is a time-lag a decreasing loss-cost results in a profit but by exactly the same reasoning an increasing loss-cost results in a loss. And just as preventive activities may be entered into in order to produce a profit so preventive activities must be entered into, if there is danger of an increasing

(*Continued on page* 37)

"DRIVE fast or I'll blow out your brains."

Taxicab Driver Hyman Goldstein looked quickly into the back of his cab. There he saw a very good reason for complying with that sharp command. A desperate hold-up man, revolver in hand, face pimpled with sweat, a fearful, hunted look in his eyes, repeating in breathless, staccato tone, "Drive like hell or you're on the spot—see?"

Goldstein accelerated his car into a crosstown spurt but the busy, close-packed stream of traffic of Madison Avenue, New York, halted him. A half-heard curse preceded the slam of the cab's door. Goldstein turned to see his fare hot-footing it through the dense lane of traffic in front.

Suddenly a shot. Traffic stopped. Police came running. Goldstein's fare lay on the heated paving stones—dying, with a bullet in his heart.

Cornered by three policemen, he shot himself!

The evening papers narrated the events leading up to the tragedy. The dead man was Saul Black. He stole the contents of the cash register at a hat store at Broadway and Thirty-first Street a few minutes after four o'clock and then ran out, followed by Louis Frender, manager of the store, who shouted for help.

Patrolman Deutsch of Traffic Precinct C, the graphic news account of the robbery continues, took up the chase, firing a shot at the fugitive, who replied. Both bullets went wild and though there were many persons and vehicles in the street, did no damage. Black leaped to the running board of a taxicab driven by Isaac Ginsberg, of 651 Southern Boulevard, the Bronx, and forced him from the seat at the point of his revolver.

As Ginsberg stepped to the pavement and Black was climbing into the driver's seat, Patrolman Deutsch fired again and a bullet struck Ginsberg in the left leg. He fell, and Black slipped out the opposite side of the cab and ran through Thirty-first Street to Fifth Avenue, turning twice to fire at the policeman, who returned the fire.

As fugitive and policeman raced through Thirty-first Street exchanging shots, several bullets went through the big show windows of a pet shop at the northwest corner of Thirty-first Street and Fifth Avenue, shattering not only the glass but the magnificient boredom of several wire-haired terriers and chow pups which were accustomed to yawn daily in the face of New York. The Textile Building at Thirtieth Street and Fifth Avenue also suffered from the bullets.

Black ran down Fifth Avenue to Thirtieth Street and boarded a taxicab driven by Paul Bondi, of 86 First Avenue. Bondi had a passenger, however, and Black abandoned his project of seizing the vehicle and dodged through the traffic to the east side of Fifth Avenue, where he boarded a taxicab driven by Hyman Goldstein, of 967 Fifty-third Street, Brooklyn.

Thus Goldstein became acquainted with him and, then, the police a few moments later. But to the Fraud Prevention Department of the National Association of Credit Men, Black was well known for the Department had been searching diligently for him for some four years.

Oddly enough, Black shot himself at the corner of Thirty-second Street and Madison Avenue—exactly one block from the Fraud Prevention Department offices. There the next morning the department's file on Saul Black was closed. The tale it contains is colorful.

On February 24th, 1926, a well groomed young man called at the office of a prominent Boston concern and represented himself as the buyer from the Franklin Mills of Philadelphia. The Franklin Mills were located at 27 So. 4th Street, Philadelphia. In order to establish his identity this slick young fellow presented a card bearing the name Franklin Mills, but without any address. Here was the hitch that might have put credit managers on their caution.

More than $2,000. worth of merchandise was ordered and shipped to 27 No. 4th Street, the address given by the buyer. You will notice that the legitimate concern was located at 27 So. 4th Street, while the address given by the buyer was 27 No. 4th Street.

The seller of the merchandise addressed a letter to the legitimate concern at 27 So. 4th Street, which advised immediately that they had placed no order nor received any merchandise.

A few weeks before this Boston incident occurred, a similar incident was reported to the Fraud Prevention Department as having happened in another state though an entirely different firm name was used. The similarity of the two incidents led the Fraud Prevention officials in the New York office, after a complaint had been filed by the defrauded creditor in Boston with the New England Case Committee, to make an investigation in Philadelphia. By a process of elimination, suspicion was directed to one Saul Black, who several years before had served a term of imprisonment for a similar offense.

A photograph of this Saul Black was loaned our officials by the Police Department of Camden, N. J. The photograph was sent at once to Boston and the face appearing on it was immediately recognized by three employees of the manufacturer from whom the merchandise had been obtained.

Black was then placed under surveillance in Philadelphia, and an "under-cover" man mingled with him and his associates and reported their activities to the department.

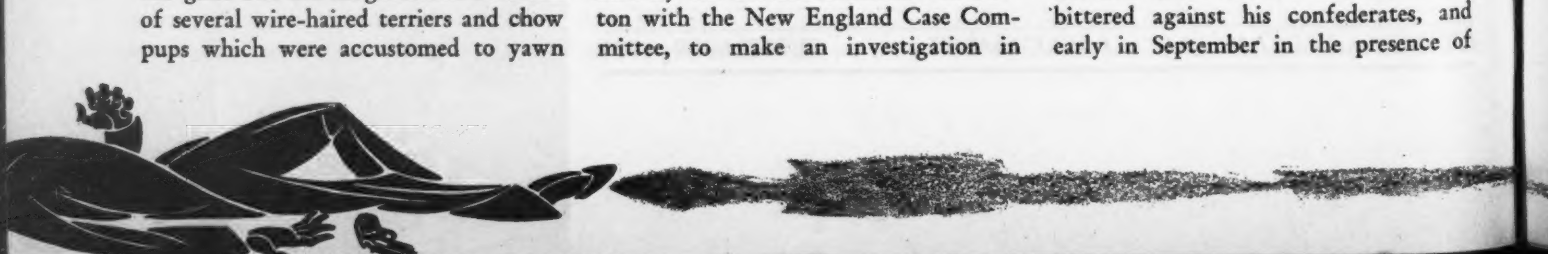
Complaints piled up in the department from New York and Rhode Island concerns, as to frauds of a similar nature having been practiced upon them, and in most all of the cases occurring in New York the photograph of Black was identified by employees of the defrauded concerns as the man who had made the purchases.

Evidence developed to show that in most cases shipments were diverted in Philadelphia after their arrival at the railroad terminal, and that within ten minutes the original markings on all cases were changed.

The Philadelphia, Boston and Buffalo representatives of the Fraud Prevention Department devoted considerable time to the case, and as a final result of their efforts, coupled with the evidence secured by the New York staff, Saul Black was indicted in Boston during June, 1926, on a charge of larceny and his arrest in Philadelphia followed shortly thereafter.

A bitter fight was put up on extradition proceedings, but eventually Governor Pinchot of Pennsylvania directed Black's removal to Boston. Assistant Prosecutor Alpert of Boston, whose work is most highly commended by our Department, found it necessary to make several visits to Philadelphia with Police Inspector Donovan and was forced to fight every step of the way in order to bring about Black's extradition.

After spending the entire summer in a Boston jail awaiting trial, Black suddenly awoke to the realization that he had been deserted by his associates, when he had every reason to believe that they would stand by him in the event that any criminal action occurred. At least they would see that he was released on bail. He became a little embittered against his confederates, and early in September in the presence of



he shot himself

state justice is cheated as justice is self-imposed

one of our Department officials Black decided to plead guilty and to make a complete confession of his part in the scheme to defraud.

His confession implicated Rubin Saul of Philadelphia, one of Black's former pals, as being the "brains" of the entire conspiracy. Black alleged that Rubin Saul accompanied him to Boston in February of 1926, during which time orders for merchandise were placed, and that he acted constantly under Rubin Saul's direction.

Black was taken before the Suffolk County Grand Jury by Mr. Alpert, and as a result of his testimony, an indictment was returned against Rubin Saul on a charge of conspiracy to commit larceny with others. Rubin Saul's arrest followed in Philadelphia, the arrest being based on a warrant issued in Boston. Black was released under a reduced bail bond furnished by relatives.

At a hearing held in Philadelphia during the third week of November, Mr. Alpert had Black testify against Rubin Saul in the extradition proceedings and the court directed Saul's removal to Boston, where he arrived on November 24th. On December 18th, after being aided by prominent criminal lawyers, Rubin Saul was convicted on the indictment returned against him, and on December 21st was sentenced to a term of imprisonment of one year and six months, and fined in the sum of $500.

Black, pleaded guilty, appeared as a witness against Saul, and as a result sentence was suspended. However, in view of the fact that it was found that his schemes were being continued, the County Prosecutor in Boston had been seeking Black for the past four years for the purpose of having the Court impose a prison sentence.

Black, if convicted on the last indictment returned against him in New York, would probably have been classified as a fourth offender, which calls for life imprisonment.

Police Detective Sullivan, of the New York County Prosecutor's office, together with the investigators of the National Association of Credit Men spent considerable time and effort in an endeavor to locate Black, and it was only recently that information had been received to the effect that he was back in New York City and was probably working with a group of racketeers here, whose whereabouts are also being sought.

Black's first criminal record appears to have started at Camden, N. J., at which time he was convicted and sentenced to a term of imprisonment on a charge of grand larceny. As late as the Spring of this year he was reported to have been seen in Philadelphia.

Black was never known to resort to rough tactics in his various schemes prior to his death. He was well known to the representatives of the Fraud Prevention Department, who looked upon him as a smooth individual, one who had a "good front", a convincing talker, and not of the type that would be generally looked upon as a schemer or a gun-toter.

Those in charge of the activities of the Fraud Prevention Department were more than surprised to learn that the man for whom they had been searching for four years, had ended his life almost at their doorstep.

Charles J. Scully, Director of the Department, said that "Black's death unquestionably cheated the Fraud Prevention Department of several convictions for Black was long known as one who never hesitated to tell all he knew about his associates in his criminal activities, once he had been apprehended by police officials.

"His motto at all times was self preservation and gave the lie to that rather well worn theory often expounded by the movies in their criminal pictures—there is honor among thieves. On no occasion had he recognized the underworld code of silence, for although he seldom pursued his criminal activities alone he was for himself and no one else whenever trouble appeared on the horizon.

"Since his death we have gathered some additional facts and much more information has drifted into our office concerning the activities of this man during the two years prior to his death —the years that we were trailing him from city to city in different sections of the East.

"He was at times engaged in minor forms of racketeering, efforts along stool-pigeon lines and various other forms of underhand criminal activities. Just prior to his self-execution we had gained several tips concerning Black's activities and whereabouts and our men acting on the strength of this information were on his trail. It is quite likely they would have closed in on him and brought him to justice for the second time.

"Yes," the Director of the Fraud Prevention Department concluded, "I would say that he shot himself years before he brought about his end with his own bullet."

de-bunking

INSTALMENT CREDIT reduced to banking credit terms by application of simple formulas

by ROBERT L. MOORE,
Vice President
World Radio Corporation
Boston, Massachusetts

THE banker, who is presented with the balance sheet and operating statement of an instalment company, is often in a serious quandry to determine the real condition of the business. He is asked to extend a proper line of credit. The balance sheet may show a net worth that would ordinarily be adequate to justify the line asked for. The operating statement may show a fair profit for the past year. Yet, the average banker will hesitate on the grounds that it is an instalment business.

The main item that distinguishes this type of business, and the one that makes it different from the ordinary merchandising company selling for cash and on open account, is the item of accounts receivable—its instalment accounts. In the case of the ordinary store the banker knows just about what these represent—usually thirty-day accounts which are sound current assets. Instalment accounts are different. They may run six months or one year or two years or even more. They often contain a large percentage of bad or delinquent accounts which have not been written off. The average instalment business is sorely tempted to hope for the best on accounts that are "doubtful" and frequently let them stay on the books, when write-offs would make the difference between a good profit showing and a deficit.

The things that the banker does not really know but must determine before he can safely extend credit are:

1. (a) Are the accounts receivable good?
   (b) What is the percentage of bad accounts?
2. To what extent can the accounts receivable which are represented by instalment accounts be considered quick or current assets?

Usually the banker has insufficient information to go on and therefore is likely either to turn down a good proposition because he is not sure about it or to extend credit when the situation is unsound.

It is possible, however, to determine these factors with relative exactitude. The main factors in the series of instalment transactions are so related that they can be expressed with mathematical formulas. These formulas if applied to the balance sheet and operating figures will then show whether they are in true relationship—that is they will prove or disprove the accuracy of the balance sheet figures as representing actual conditions. The main factors in an instalment transaction are:

A=The total instalment sales, i. e. total sales less cash sales and initial payments.

B=The total accounts receivable.

C=The monthly collections in per cent. of total accounts receivable.

D=The average length of time the account runs in years.

Every merchant should have these figures for his business and be able to furnish them off-hand to his banker. They determine the general nature of his business. The relation existing between three of the above factors is given by the equation:

$$B=\frac{AD}{2}$$

This is our first formula and is derived from the fact that the average length of time money is outstanding is approximately equal to D/2, since in a monthly instalment account which terminates in a year, the total amount is outstanding at the beginning of the year and nothing is outstanding at the end of the year, and secondly that accounts receivable will equal the instalment sales times the average length of time the money is outstanding.

If, for example, a man pays \$10.00 a month for one year, the average amount outstanding is \$60.00, i.e. \$120.00 at the beginning of the year and nothing at the end of the year. This is a simple example of the application of the first equation where A=\$120.00, D=1 year and therefore the equation is,

$$B=\frac{\$120.(1)}{2}=\$60.$$

This same relation may be applied to a group of accounts by determining B for each account and finding the sum of all the values of B thus determined.

A definite relationship exists between the percentage of monthly collections and the length of time which accounts run. This also is expressible in mathematical terms. If we assume the total of accounts receivable remains stationary or nearly so, the business being fairly steady, the average per cent. collected on the accounts is 16.6%. In the example above, \$10.00 per month is paid for one year, the total accounts receivable is \$60.00 and the average per cent. collected on the account is 16.6%. If only \$5.00 per month were paid for two years, the amount outstanding is the

the formulas reduced to standard index size to facilitate clipping and filing

to ascertain the loan value of an instalment business

A=the total instalment sales, i. e. total sales less cash sales and initial payments.

B=the total accounts receivable.

C=the monthly collections in percent. of total accounts receivable.

D=the average length of time the account runs in years.

1. the relation between three factors.

$$B=\frac{AD}{2}$$

2. the relationship of % of monthly collections to length of time accounts run.

$$CD=16.6^{*}$$

3. the relation between sales, accounts receivable and % of collections.

$$B=\frac{8.3^{\dagger}A}{C}$$

* providing accounts receivable remain stationary and time of payments one year

† same as * but running two years

for banking

the average instalment business is tempted to hope for the best on accounts that are doubtful . . . to repossess means to write off accounts and so show up losses.

same but collections only average 8.3%. The formula then becomes,

CD=16.6.

A third valuable formula may be derived by eliminating B between equations (1) and (2). This will show the relation between sales, accounts receivable and percentage of collections. The general expression is,

B=8.3A

C

Other formulas can be made to fit the occasion but these main relationships will show much of the true status of the business. For example, the banker may find that his customer has sold one million dollars worth of merchandise on instalments last year and that he collects an average of 8.3% per month. He knows then, by applying formula three; first, that the merchants accounts average to run two years; second, that his accounts receivable should be about $1,-000,000. If the accounts as shown on the balance sheet are $1,500,000, they are probably one third bad.

If the figures of the balance sheet do not conform to these known relationships something about them is wrong and should be carefully looked into. Either the merchant does not know how long his accounts are running and is giving more than two years terms or he is failing to write-off his bad accounts. Analyzed on this basis the figures begin to show the efficiency of the merchant as well as his actual worth in dollars.

The second factor the banker wants to know is whether the merchant has sufficient working capital for his needs. The amount of working capital needed in an instalment business and the extent to which the instalment accounts may be considered as quick assets is something about which the average banker has little accurate information. It is essential, however, if he is to avoid frozen loans that he know whether the merchant will be able to repay or whether the banks' advances will be tied up in instalment paper and become a matter for slow liquidation. This also is perfectly determinable.

Many, if not most, instalment businesses, due to the large amount of capital which it takes to finance instalment sales are under-capitalized. Many more resort to finance companies to finance their time sales paper. It is probably unsound for a bank to extend any great amount of credit on unsecured notes to an instalment company that borrows on its instalment paper. The finance company makes these loans on security at rates averaging about 13%. The bank should hardly be content to accept a secondary, unsecured loan at lower rates of interest. The larger and best managed instalment houses carry all their own paper and do not rediscount with finance companies. Obviously if they do so discount they are undercapitalized for otherwise they could secure returns on the capital necessary to carry their own paper larger than they can usually make on their strictly merchandising operations. However, this discussion is more specifically limited to a consideration of what lines of credit should be granted to companies that finance their own sales.

To determine whether or not an instalment company has sufficient working capital, the current assets should be figured so that they are comparable to the accounts receivable department of the business that sells on open account. This is done by determining the period for which sales averaging are outstanding for the open accounts. It has been found that the average collection period of the department store open account is 72 days which means 144 days or about five months sales averaging to be outstanding. Current assets for instalment accounts may then be figured by substituting for the item of accounts receivable an amount equal to five months average collections.

Add up the current assets on this basis and use the ordinary rules for credit. If this new ratio of assets to current liabilities is two to one or better the business is in sound condition with adequate working capital for current needs.

There is still another yardstick that may be used to check up these figures—a relationship that has been worked out empirically from the study of a large number of instalment companies. It is this. The total capital and surplus of an instalment business that sells merchandise on average of one year credits should be at least forty per cent. of its annual sales volume, if it gives two year credit its capital should be fifty-five per cent. of its annual sales volume.

These rules and formulas give a fairly accurate picture of any company's status. There is, however, still one further cross check on the business. Study the comparative balance sheet figures for several years to see whether the ratio of sales to accounts receivable remains constant.

If accounts receivable become a higher percentage of sales it indicates either that bad accounts are not written off or that longer credit terms are given. Investigate carefully. In an efficiently run instalment business collection percentages should constantly improve or at least remain stationary—only giving of longer terms or the failure to write off bad accounts can cause dropping percentages, and it is usually the latter.

A change in this ratio is one of the surest indications that the business is slipping. The management may be trying to keep up its sales volume or its profit record. It may give bigger inducements to customers to buy, longer terms, lower down-payments. It fails to repossess merchandise where to do so would mean writing off accounts which would show up losses. Such action shows up in the ratio of accounts receivable to sales.

The banker can by these methods determine these things and with this knowledge he really understands the condition and needs of the business. Knowing these things he can safely give credit where credit is due. He should liberally give credit when justified because the instalment business is fundamentally sound. It has proved its soundness in the trying period of depression. It has shown that it is the best means of maintaining mass purchasing power.

load lightening

REPORTED STOCKS OF RAW MATERIALS AND MANUFACTURED GOODS AT THE YEAR-END◈

Commodity	Unit	Stocks, end of December 1929	Stocks, end of December 1930	Percentage change
Raw Stuffs				
Rubber: *World*	*th. l. tons*	*338.7**	*470.0**	+ *38.8*
U. S.	" " "	118.6	203.2	+ 71.4
Cotton: *World-Am.*	*thous. bales*	*13217*	*15700*	+ *18.8*
U. S	" "	10027	12654	+ 26.2
Silk: *World*†	" "	*189.8*	*237.0*	+ *24.9*
U. S.†	" "	90.8	58.4	− 35.7
Wool: *World*	*mill. lbs.*	1072	1148	+ 7.1
U. S.‡	" "	381	379	− .5
Cattle hides	thous. hides	4009	4316	+ 7.7
Goat and kid skins	" skins	10235	11811	+ 15.4
Wheat: *World*§	*mill. bu.*	*453.5*	*454.9*	+ .3
U. S.§	" "	191.2	200.0	+ 4.6
Sugar: *World*	*th. l. tons*	6786	8639	+ 27.3
U. S. ports	" " "	753	425	− 43.6
Coffee: *World*	*thous. bags*	*5079*	*5188*	+ *2.1*
U. S.	" "	693	929	+ 34.1
Minerals				
Tin: *World*	*th. l. tons*	*28.1*	*42.5*	+ *51.2*
Copper: Blister‖	*th. sh. tons*	268.4	218.8	− 18.4
Refined‖	" " "	171.3	367.2	+114.4
Zinc	" " "	75.4	143.6	+ 90.4
Iron ore	mill. l. tons	41.5*	41.2*	− .08
Petroleum	" bbls.	540.9	512.8	− 5.2
Building materials (and related goods)				
Lumber, soft woods	mill. ft. b. m.	3211	3463	+ 7.8
Common brick	" bricks	788.3*	715.8*	− 9.2
Cement	" bbls.	23.5	25.8	+ 9.8
Linseed oil	" lbs.	140.9	113.6	− 19.4
Turpentine	thous. bbls.	68.4	84.9	+ 24.1
Sanitary ware	" pieces	675.5	756.7	+ 12.0
Various manufactures				
Steel sheets	th. sh. tons	173.6	184.6	+ 6.3
Paper (mill stocks)	" " "	254	291	+ 14.6
Cattle leather°	thous. hides	11499	12302	+ 7.0
Calf leather°	" skins	9334	9327	− .1
Kid leather°	" "	26143	28961	+ 10.8
Gas and fuel oils	mill. bbls.	34.4	37.0	+ 7.6
Gasoline	" "	43.2	40.5	− 6.2
Tires	" tires	12.1*	9.6*	− 20.8
Cotton cloth	" yds.	461.0	364.0	− 21.0
Silk fabrics	yardage	......	......	− 13.2
Wool fabrics	"	......	......	− .32¶
Knit underwear	th. doz. units	1203	1185	− 1.5
Hosiery	" " pairs	10432	10260	− 1.6
Wheat flour	mill. bbls.	8.8	7.0	− 20.5
*Foods***				
Apples	thous. bbls.	7967	9521	+ 19.5
Butter, creamery	mill. lbs.	81.9	63.3	− 22.7
Cheese	" "	80.6	79.0	− 2.0
Eggs, case	thous. cases	704	1891	+168.6
Poultry	mill lbs.	140.7	104.7	− 25.6
Meats, total	" "	819.9	689.2	− 15.9
Lard	" "	82.1	51.1	− 37.8
Canned milk	" "	283.6*	253.4*	− 10.6

*End of November. †"World" represented by total visible stocks in New York, Japan, and in transit; "U. S." by New York warehouse stocks. ‡Of apparel grades. §Visible supply, N. Am. and U. K., Saturday nearest the year-end; U. S. visible also. ‖North and South America. °Finished and in process. Whole kip included with calf leather. ¶An estimate supplied by the Borsodi Analytical Bureau, Inc. **Cold-storage holdings, except for canned milk.

◈Prepared by the Harvard Economic Society.

■ drastic depletion of stagnant stocks lightens the load of boom-time market-glutting

■ 'liquidation of surplus' constitutes the basis for sustained recovery

by MERRYLE STANLEY RUKEYSER

DEPRESSION is a process which superficially appears to be self perpetuating. For a time, it appears to feed on itself, but past experience demonstrates that after a while depression breeds shortages, out of which a new recovery is started.

But in the midst of depression, in spite of attempts to curtail production, seemingly excessive supplies pile up. Vast surpluses confront the executive, and darken the hope for business profits. The mathematically minded ask how long it will take to get rid of surplus stocks on hand but, as a matter of fact, the answer depends less on computation than on conjecture.

There is a disposition to exaggerate the size of surpluses when business is stagnant. They are more apparent than real. With business subnormal in volume and with inventories low, there appears to be a vast oversupply of everything. The extent of the surplus is magnified by the current indisposition of business men to carry normal stocks. Surpluses which are enormous when business sentiment is blue frequently tend to dwindle when confidence returns.

Accordingly, there is an X, or unknown quality in surpluses. The mere

statistical figure does not tell the whole story, and we are, parenthetically, woefully inadequately supplied with data concerning the precise status of stocks on hand. Quantities of physical commodities which are excessive in times of adversity tend to balance off against demand in periods of returning prosperity.

Thus far, industry has sought to create a new equilibrium by curtailing the supply. Perhaps at the next phase a constructive attempt will be made to achieve economic balance through stimulating demand. Of course, the obvious road to larger consumption lies in returning to the ranks of the economically potent the millions of unemployed. Numerous scientific economists feel that the one factor in the economic situation which can be deliberately controlled is public expenditures, and there is accordingly an insistent demand that public works expenditures be augmented in time of depression and retarded in periods of boom.

In copper, for example, stocks on hand are at a new peak, and may continue to rise unless demand is suddenly expanded through an increase in the business situation. Demand has reached what appears to be an irreducible minimum.

Meantime, the prevalence of large stocks acts as a devitalizing factor on business initiative. In general, it may be said that far greater progress has been made in controlling the supply of manufactured and semi-finished goods than of raw materials.

One sensitive, barometric business mind, with wide contacts, told me: "I have recently made several trips throughout the country and I find the subject of liquidations and surpluses uppermost in the minds of executives with whom I talked. A few days ago I talked to the treasurer of a company in Elmira, N. Y., who contended that it would be at least a year until we had complete liquidation of production surpluses. Many executives that I discuss business recovery with feel that there are still large stocks of manufactured goods and raw materials on hand. It seems to be the consensus of opinion that business recovery will not come back until we have had a thorough liquidation of surpluses."

There are two schools of thought on this practical business problem. One set, including numerous economists of high standing, contend that deflation has gone far enough in correcting the mistakes and excesses of the earlier boom. This school holds that it is the task of political and business leadership deliberately to set in motion recuperative forces, including stimulus from a large scale public works programme and from a policy of credit easement by the central banking system. The other, or hard boiled school, consisting largely of bankers, holds that the process of liquidation should go on undisturbed.

The trouble with liquidation to the bitter end is that the end might be bitter indeed. The process is not too well understood, and, if unchecked, no one can be sure where it will stop. The panic started with a run on the New York Stock Exchange. A year later there were runs on banks. Nearly two years later there were runs on whole countries, including Germany, England, and various Central European countries. Obviously, some attempt at sound social control is in order.

Left to their own resources, business men have been making distinct strides toward reducing production schedules in accordance with prevailing demand. The index of stocks of manufactured goods of the United States Department of Commerce, which is constructed from data on forty-five commodities, was at the beginning of the summer 4 per cent. below a year ago and 1.4 per cent. below the same month of 1929.

The Federal Reserve index of department store stocks indicates that such stocks were recently 9 per cent. below a year ago and 18 per cent. below the average for the years 1923-1925, inclusive.

In interpreting the significance of statistics on surpluses, J. Frederic Dewhurst, acting chief, division of statistical research, United States Department of Commerce, told me: "It is of particular interest to note that, in general, production of these commodities is closely aligned with current shipments. In only one instance, namely, cast iron boilers, was production for the month much larger than shipments, while in the case of 12 out of 21 products listed, shipments were in excess of production. You will note also that the production of such important commodities as automobile tires, cotton textiles, hosiery, and rubber and canvas footwear is in excess of the corresponding month of last year.

"A favorable comparison is afforded with a year ago also in the consumption or shipments of certain products, mainly, consumers' goods. Thus, consumption of gasoline was 7.5 per cent. higher than a year ago, while shipments of cotton textiles were up 20 per cent.; hosiery, 8 per cent.; automobile tires, 5 per cent.; cattle hides, 15 per cent.; and glass containers, 2 per cent.

"There is considerable variation in the ratio of stocks to shipments as between the different commodities. In general, it is high in the case of chemical products and building materials but low for such items as newsprint, box board and steel barrels. Stocks of numerous other products listed do not appear particularly cumbersome from the statistical standpoint. For the majority of products, you will note that there has been a reduction in the stocks as compared with a year ago. This reduction amounts to 41 per cent. for cotton textiles; 41 per cent. for bricks; 37 per cent. for rubber heels and soles; 33 per cent. for rubber and canvas footwear; 32 per cent. for radiators; 26 per cent. for porcelain plumbing fixtures; 21 per cent. for automobile tires; 20 per cent. for hosiery; 16 per cent. for steel sheets; 12 per cent. for gasoline.

"The ratio of production to stock affords another measurement of the size of present stocks, but with production running close to shipments in most instances, these statistics present much the same pictures as the ratio of shipments to stocks."

Of course, the maker of finished products, which sell at a fixed trade market price, finds an opportunity for increased profit margin in the distressed prices at which raw commodities are selling. The low prices offer new vistas for profit-making by alert manufacturers, who are sensitive to the shifting desires of a fickle consuming public.

In explaining why stocks of raw materials are so heavy, Dr. M. J. Bonn, British economist, in an address before the Institute of Bankers in London, said that orderly liquidation of superabundant stocks had been delayed by the action of pools, cartels and valorization schemes—supported frequently by credits supplied by banks and Governments at artificially cheap rates. Dr. Bonn warned that to carry with banking credit stocks of goods which are unsalable, may well prove to be the surest way of diminishing the necessary purchasing power of tomorrow.

Instead of giving the producer artificial credit aid, discussion is turning more and more toward financing the consumer. Charles Benedict, for example, in urging that cooperatives and

(*Continued on page 54*)

what!

no monthly statements?

Mr. Kase dared....do you?

AN aged seer and prophet once predicted that "men will fly without wings and steel will float on water"—and the world called the prophet crazy. Mr. H. H. Kase, Credit and Collection Manager of the Taylor Instrument Companies, says that monthly statements are not necessary—and many credit executives will probably say that he is crazy.

The following dialogue took place between Mr. Kase and the Editor of this magazine in Mr. Kase's office in Rochester:

MR. KASE: The sending of monthly statements is an eighteenth or nineteenth century custom. It is almost as foolish to send out monthly statements as it would be to write business letters in longhand. Monthly statements are deadwood! Unnecessary! The bunk!

EDITOR: Just why do you believe sending monthly statements to your debtors is unnecessary?

MR. KASE: For several reasons. In the first place, the monthly statement isn't a necessary part of an accounting system. The elimination of statements simplifies bookkeeping and accounting procedure. Secondly, collection efficiency is not impaired the least iota by discontinuing monthly statements. Another reason is that important savings and economies are realized. I have also found that statements give the debtor merchant one of his best excuses for procrastinating.

EDITOR: What do you mean by the monthly statement giving the debtor one of his best excuses for procrastinating?

MR. KASE: One of the old, old excuses of the debtor is "I seem to have lost or misplaced the monthly statement. Send me another statement and I'll send you a check." I have always been amazed at the facility with which monthly statements become lost. As soon as we discontinued sending statements, we eliminated one of the most prevalent excuses for the slow payment of bills.

EDITOR: Couldn't the debtor merchant just as well say that he had lost his invoice or bill?

MR. KASE (Laughing): I believe it all narrows down to a matter of habit. Debtors are in the habit of making excuses about monthly statements—but not about invoices. An invoice is the basis for a ledger entry—while a statement generally isn't.

EDITOR: You also spoke of important savings and economies. Do you figure that you have actually made substantial dollar savings by discontinuing monthly statements?

MR. KASE: Very substantial savings, indeed. We send out between seven and eight thousand statements a month. A two-cent stamp is saved on seven or eight thousand mailings, the envelopes are saved and all the money that is put out for the paper and printing of statements is saved. You also have to figure in the time required for typing, folding, enclosing and mailing. Get out your pencil and do a little figuring and you'll see how much savings resulting from the elimination of monthly statements really amount to. I estimate that we saved at least six thousand dollars on this plan the first year.

EDITOR: What method did you use to inaugurate this system?

MR. KASE: We tried the plan out on about one-fourth of our accounts receivable. It worked so well that we immediately put it into effect on all of our accounts

EDITOR: How did your customers react?

MR KASE: Apparently most of them did not even miss the monthly statements. A few wrote in and I explained our new procedure. None of the customers has registered any objections. Most debtors merely use the monthly statement for checking purposes, anyway.

EDITOR: How did this plan affect your collection letter program?

MR. KASE: Instead of sending two or three statements we now send out our first collection letter immediately. This routine certainly speeds up collections. At first a few more collection letters than usual were necessary but that requirement did not last long. I keep collection charts that enable me to measure accurately the slightest variation in collection efficiency. We have tried and tested this idea and have not found it wanting from any angle whatever.

EDITOR: Do you think other credit executives will look with favor on this idea?

MR. KASE: That I cannot answer definitely, but I have my doubts. Monthly statements have become such an accepted part of accounting and credit systems that I believe most credit executives will look askance at this plan I have found to be so successful. Once again I want to say that I believe monthly statements are the bunk! They are deadwood! Holdovers from days of less efficient credit and accounting practice! They have no place in the system of my company. I believe there are thousands of other companies in which the same thing should be done.

Do you agree with Mr. Kase's indictment of monthly statements? Will the plan work in your company as it worked in his? The Editor has talked with other credit excutives who disagree with Mr. Kase. There are many strong arguments in favor of Mr. Kase's idea. There may be many strong ones against it. Do you think Mr. Kase is right or wrong? Write in and give us your views and ideas on the question, "Are Monthly Statements Necessary?"

rehabilitating Mrs. Fredericks

THE clasp clicked as Mrs. Fredericks snapped shut her purse. That click not only assured Mrs. Fredericks that her purse was closed but also signaled that her account filing system was locked up.

Mrs. Fredericks, you see, kept her books in her purse!

That she kept no books of account, that she handled all bookkeeping transactions merely through informal memoranda, that she kept such information as invoice files, payroll records, and schedule of receipts and disbursements somewhere at home—all that was not a matter of general knowledge at all. Nor was it known to anyone else that data as to expenses, sales, purchases had never been tabulated and that there were no tangible figures to indicate profits or losses on operations.

The good lady had a "good idea of the situation in her own mind." She admitted that, but it took a business survey by agents of the National Association of Credit Men to set her business house in order and now she is operating with every prospect of success in her commercial ambitions.

What brought about her difficulties? Three factors were outstanding. The first was lack of bookkeeping, the second, operation of an unprofitable unit, the third, insufficiency of liquid capital.

The case came to the attention of interested creditors when a period of six to eight months showed a considerable slowing up in payments of accounts with the result that many of the creditors placed the account on a C. O. D. basis while others threatened to file their claims with adjustment bureaus, feeling that the case was almost hopeless. Previous to this time the business had been making a fine record for a number of years and obligations had been handled with satisfaction to everyone concerned.

There were some members, therefore, of the creditor body who wondered just what had gone wrong in this case and it was at their instigation that the Business Survey was made. It revealed the three main points outlined in a previous paragraph. More specifically, it spotlighted the details of her business in a manner which was almost as revelatory to the proprietor as it was to her creditors.

When the Business Survey representative of the involved creditors interviewed Mrs. Fredericks she was able to present only an approximate idea of her business situation. A financial statement based on her figures and estimates listed assets of $20,630.00 and liabilities of $4,900.00 for a net worth of $15,730.00. But the investigator's personal appraisal brought out a possible net worth of only $130.00. The discrepancy in these two sets of figures does not imply any conscious effort to overstate or underestimate the actual facts. The difference arose because there was no adequate system of accounts, as is true in so many cases of independent effort in the retail lines.

Most of the differences of over $15,000.00 was made up by a few factors. Mrs. Fredericks placed her merchandise liabilities at $1,300.00 whereas the Business Survey agent reported the likely amount of $3,000.00. The second item was of even greater significance. Among the current assets were two things, fixtures and equipment valued at $6000.00 which the investigator cut in half in his own appraisal, and real estate with a value of $14,000.00 on which there was, in Mrs. Fredericks' opinion, a mortgage of $3000.00.

This real estate consisted of the family residence which bank officials estimated to value $10,000.00 and on which, they told the investigator, there was almost $4000.00 in mortgage, that principal had not been reduced for some time and that for several months past monthly interest payments had not been kept up. But in view of the existing mortgage and the possibility of homestead exemption on this item it was discarded along with the corresponding mortgage liability, from the list of accepted assets of her business.

Insurance carried by the proprietor amounted to $1000.00 on one branch's fixtures and nothing on the second's equipment. Yet their estimated value in her opinion was set at $6,000.00, which brings up the factor of inadequate insurance, a condition brought about perhaps by the stringent financial status of the subject but nevertheless a most vulnerable point in her business situation in an emergency.

Not only did the Business Service agent develop the true picture of her

(*Continued on page* 46)

nation-wide collection and sales conditions

what they are at present

the outlook for the near future

CREDIT AND FINANCIAL MANAGEMENT offers its seventeenth monthly survey of collections and sales conditions. This survey is based upon reports from 113 cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

■ This is the seventeenth monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit and Financial Management.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in each state. You may also see at a glance what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales
Ala.	Birmingham	Slow	Slow
	Montgomery	Slow	Slow
Ariz.	Phoenix	Slow	Fair
Ark.	Little Rock	Slow	Slow
Cal.	Los Angeles	Fair	Fair
	Oakland	Fair	Fair
	San Diego	Fair	Fair
	San Francisco	Fair	Fair
Colo.	Denver	Fair	Fair
	Pueblo	Fair	Fair
Conn.	New Haven	Fair	Fair
	Waterbury	Fair	Fair
D. C.	Washington	Fair	Fair
Fla.	Jacksonville	Slow	Slow
	Miami	Good	Slow
	Tampa	Slow	Fair
Ga.	Atlanta	Fair	Fair
	Macon	Slow	Fair
	Savannah	Fair	Fair
Ill.	Galesburg	Fair	Fair
	Peoria	Slow	Slow
	Quincy	Fair	Fair
	Rockford	Slow	Slow
	Springfield	Good	Fair
Ind.	Evansville	Fair	Slow
	Indianapolis	Fair	Slow
	South Bend	Slow	Slow
	Terre Haute	Good	Fair
Iowa	Burlington	Fair	Fair
	Cedar Rapids	Fair	Fair
	Davenport	Fair	Fair
	Des Moines	Slow	Slow
	Ottumwa	Fair	Fair
	Sioux City	Fair	Fair
	Waterloo	Fair	Fair
Kan.	Wichita	Fair	Fair
Ky.	Lexington	Slow	Slow
	Louisville	Fair	Fair
La.	New Orleans	Fair	Fair
	Shreveport	Slow	Slow
Md.	Baltimore	Fair	Fair
Mass.	Boston	Fair	Fair
	Springfield	Slow	Slow
	Worcester	Fair	Good
Mich.	Detroit	Fair	Slow
	Flint	Slow	Slow
	Grand Rapids	Fair	Fair
	Jackson	Slow	Slow
	Lansing	Slow	Slow
Mich.	Saginaw	Slow	Slow
Minn.	Duluth	Slow	Fair
	Minneapolis	Fair	Fair
	St. Paul	Fair	Fair
Mo.	Kansas City	Slow	Slow
	St. Joseph	Fair	Slow
Mont.	Billings	Fair	Fair
	Great Falls	Slow	Fair
	Helena	Good	Good
Neb.	Lincoln	Fair	Fair
N. Y.	Albany	Fair	Fair
	Buffalo	Fair	Fair
	Elmira	Fair	Fair
	New York	Fair	Fair
	Rochester	Fair	Fair
	Syracuse	Fair	Fair
	Utica	Fair	Fair
No. Car.	Charlotte	Fair	Fair
No. Dak.	Fargo	Fair	Fair
	Grand Forks	Fair	Fair
Ohio	Cincinnati	Fair	Fair
	Cleveland	Slow	
	Columbus	Fair	Slow
	Dayton	Slow	Slow
	Toledo	Slow	Slow
	Youngstown	Slow	Slow
Okla.	Tulsa	Slow	Fair
Ore.	Portland	Fair	Fair
Penn.	Allentown	Slow	Slow
	Harrisburg	Slow	Fair
	Johnstown	Fair	Fair
	New Castle	Slow	Slow
	Pittsburgh	Fair	Fair
	Scranton	Slow	Slow
	Wilkes-Barre	Slow	Fair
R. I.	Providence	Slow	Fair
So. Dak.	Sioux Falls	Slow	Fair
Tenn.	Chattanooga	Slow	Fair
	Memphis	Slow	Slow
Tex.	Austin	Slow	Slow
	Beaumont	Fair	Slow
	El Paso	Fair	Fair
	Fort Smith	Slow	Slow
	Fort Worth	Slow	Slow
	Houston	Slow	Slow
	Wichita Falls	Slow	Fair
Utah	Salt Lake City	Slow	Fair
Va.	Bristol	Fair	Fair

State	City	Collections	Sales	State	City	Collections	Sales
Va.	Norfolk	Fair	Fair	W. Va.	Clarksburg	Fair	Fair
	Richmond	Fair	Fair		Wheeling	Slow	Fair
	Roanoke	Slow	Fair		Williamson	Slow	Slow
Wash.	Bellingham	Fair	Slow	Wis.	Fond du Lac	Slow	Slow
	Spokane	Fair	Fair		Green Bay	Slow	Slow
	Tacoma	Fair	Fair		Milwaukee	Fair	Fair
W. Va.	Bluefield	Slow	Fair		Oshkosh	Slow	Slow
	Charleston	Fair	Fair	T. H.	Honolulu	Fair	Slow

▪ ▪ comments on collections and sales conditions ▪ ▪

ARKANSAS: Little Rock reports conditions in general "slow." There is a large surplus of all kinds of food stuffs, good vegetables, cotton and fruits, but not much money.

CONNECTICUT: Very little change in collections and sales. Factory conditions throughout Waterbury show no improvement and there is a continued shortage of orders and consequent non-employment of labor.

FLORIDA: Business continues slow in this section. Collections and sales continue to be extremely slow, the summer being the dullest season in this section, but an improvement will be seen by October.

INDIANA: Conditions in Indiana are spotty. South Bend reports a decided falling off in collections and sales over the last two months. Collections in Terre Haute are on the upward trend and sales are also improving except in foundry lines. Reports from other sections of this state range from "Slow" to "Fair."

KANSAS: Wheat, oil and livestock prices remain low and no improvement in collections or sales is expected while this condition exists.

LOUISIANA: Shreveport reports that the situation in North Louisiana, Northeast Texas and South Arkansas with regard to both sales and collections, is anything but good and the usual feeling at this time of the year that we are nearing the "Promised Land" is not being experienced. The last Government cotton report showing an anticipated cotton crop much larger than was thought probable, sent the price of cotton tumbling to lowest levels since the 90's and while a movement is on foot to relieve the situation, it has not yet had any effect. The oil fields of East Texas have within the last week been closed by order of the Governor of Texas and the territory placed under Martial Law. Consequently many men have been thrown out of work and the immediate future of many day laborers in the oil fields is not very bright. On the other hand this section of the country is particularly blessed in that a bumper crop of everything to eat, both for man and his beasts of burden, which includes his old Ford car, has been made. Except in the cases of some of the shiftless tenant farmers there should be no one going hungry on any of the farms of this section during the coming winter. The old horn of plenty is full—of everything except the "long green." Sales, both wholesale and retail, have been slow and are in most all cases reported below last year while collections have gotten to the point that we dislike to mention the subject. It is thought that manufacturers in the North and East will do well to use rare judgment in making shipments to merchants in this part of the country for the present as many failures are anticipated.

MASSACHUSETTS: Credit Managers are endeavoring to collect their overdue accounts without placing it in the hands of the Adjustment Bureaus. However, the accounts are nearly all dead when the bureau receives them. Owing to present conditions they try to save expenses but it is false economy.

MINNESOTA: St. Paul reports that Twin Cities Market Week reports an attendance of Northwest merchants with good buying in general merchandise and wearing apparel. Areas that have been hit by grasshoppers and dry, hot weather show small yield of grain and it is anticipated that in these sections buying is being curtailed to current needs and on a pay as you go basis, with a gradual reduction of past due accounts.

NEW YORK Collections and sales throughout New York average "Fair." Collections in Albany do not show any material change in the past five months. Sales seem to be a little better than collections with some lines reporting sales as fairly good. Sales in New York City are more or less on a hand to mouth buying basis.

OKLAHOMA: The oil situation in this section is improving and a considerable change is expected by September.

TEXAS: Melons and peaches are bringing both labor and money but no visible increase in payments. Bumper production of fruit and produce crops affecting sales.

changes since last month

State	City	Collections	Sales
Arizona	Phoenix		Slow to Fair
Colorado	Denver	Slow to Fair	
Florida	Miami		Fair to Slow
	Tampa	Fair to Slow	
Illinois	Peoria	Fair to Slow	
	Quincy	Slow to Fair	
Indiana	Evansville	Slow to Fair	
	Terre Haute	Fair to Good	
Iowa	Sioux City		Slow to Fair
Massachusetts	Boston		Slow to Fair
	Worcester		Fair to Good
Michigan	Saginaw	Fair to Slow	Fair to Slow
Minnesota	Duluth	Fair to Slow	
Missouri	Kansas City		Fair to Slow
	St. Joseph	Slow to Fair	
Montana	Helena	Fair to Good	
North Carolina	Charlotte	Slow to Fair	Slow to Fair
Ohio	Cincinnati	Slow to Fair	
	Cleveland	Fair to Slow	
	Columbus	Slow to Fair	
	Youngstown	Fair to Slow	
Oklahoma	Tulsa	Fair to Slow	
Pennsylvania	Harrisburg	Fair to Slow	
	Pittsburgh	Slow to Fair	
	Scranton	Fair to Slow	Fair to Slow
South Dakota	Sioux Falls	Fair to Slow	Good to Fair
Texas	Wichita Falls		Slow to Fair
Virginia	Roanoke	Fair to Slow	Slow to Fair
Washington	Bellingham	Slow to Fair	
West Virginia	Bluefield	Fair to Slow	
	Wheeling		Slow to Fair
T. H.	Honolulu	Slow to Fair	

"this month's collection letter"

Gentlemen:

It has always been the writer's ambition to some day write a 100 per cent collection letter—one that would strike everybody just right and bring back nothing but checks, orders and expressions of good-will.

I don't expect to ever do it as I have seen too many different reactions from the same letter.

Some folks that owe you money seem to think you ought to do nothing—others think you ought to sit up on your hind legs and wag your tail—some you have to bark at and a few you have to bite.

Everyone ought to feel free to holler for the money that is due—just as loud as they would holler for any raw materials which are not shipped promptly. Money is nothing but raw material and if you question that statement, try and produce something without it. We want your business; also, your good-will. Unless we receive our money we won't be able to manufacture these fine products we are shipping you.

Therefore, let's have that check we have been waiting for which will be greatly appreciated.

Yours very truly,

CREDIT MANAGER.

We present our thirteenth "This Month's Collection Letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering and which will later be presented to readers of CREDIT and FINANCIAL MANAGEMENT.

■ Here is a collection letter, mildly humorous in implication, frank and straight forward in presentation, which has the added advantage of being written in a conversational manner that presents the "please pay" argument in a way which is rational, effective and at all times to the point.

It has the very important "you" attitude, presenting the idea of prompt payment both from the angle of the company sending the letter and from that of the company receiving the letter.

The letter is contributed by E. J. Hockstad, Treasurer of the Citrus Products Company of Chicago, who states in an accompanying note that "we have used it with great success. It is shorn of all elaborate trimmings but we have tried to put the facts in such language to enable the debtor to think that the person who wrote it is as human as he is. We must not lose sight of the fact that the Credit Manager of any progressive and live company must not promiscuously threaten one procedure or another to enforce collection of the account. When we meet a situation such as this, we try to help the debtor make a settlement and co-operate with him as to an extension of the balance, having every confidence to liquidate on the date agreed upon."

insurance digest

inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

New Life Insurance Holds Up Well in 1931

New life insurance production has held up remarkably well this year in spite of the fact that industrial activity has been at a low ebb for practically two years. New production grew from a total of $2,341,137,000 in 1913 to $12,885,390,000 in 1929, the peak year, and has only declined 11.6 this year under 1929 based on seven months' figures for both periods.

As to the total of outstanding life insurance and the effects of unemployment, bank failures, industrial inactivity and other depressing factors, only year-end statistics will reveal to what extent these adverse factors have contributed in reducing the volume in force. Seven months new production figures for 1931 compiled by the Association of Life Insurance Presidents indicate total new business of $6,743,673,000, a decline of 13 per cent under 1930, and 11.6 per cent below the peak year, 1929.

The figures of the association include the totals of new ordinary insurance, industrial insurance and group insurance, exclusive of revivals, increases and dividend additions, of forty-four member companies which have 82 per cent of the total volume of life insurance outstanding in all United States legal reserve companies.

Taken by groups, industrial insurance has made the best showing this year, despite large declines in other groups. Since industrial insurance is the dearest, it is especially significant in these hard times. The cumulative total for the seven months in this class has declined only 4.7 per cent over 1930 figures and 5.2 over 1929, the peak year. On the other hand, group insurance has declined 15.1 per cent for the first seven months of the current year and 18 over 1929.

Industrial insurance clearly indicates that although unemployment and industrial inactivity exist people are continuing to make payments on their policies. A prophecy may be ventured at this time. The total outstanding volume of insurance at the end of the year will not be decreased considerably, even if all the adverse factors are taken into consideration. A continuation of the depression will tell heavily in 1932, it is believed.

July Fire Loss

We are informed by the National Board of Fire Underwriters that the reported (estimated) fire loss for July 1931 amounted to $33,024,594. This figure is a trifle less than the amount reported for the month of June.

The total loss for the first seven months of this year is estimated as $275,592,861, as compared with $277,147,521 for the similar period of last year.

Fire Prevention Week October 4-10

The National Fire Protection Association committee on fire prevention and cleanup campaign announces that its manual, or Fire Prevention Week Handbook, has been completely revised. This is the sixth edition. The distribution of literature on fire prevention and cleanup campaign is in charge of T. Alfred Fleming, 85 John Street, New York City.

Guardian Issues New Annuity

The Guardian Life Insurance Company of America announces a new special annuity available after September 1. The contract is not life insurance. Its purpose, according to the announcement, is to provide a retirement life income beginning at age fifty, fifty-five, sixty or sixty-five. No medical examination is required unless a disability provision is applied for.

The contract is worked out on unit plans, one of which provides for payment of premiums in units of $100 a year and the other provides a $10 per month retirement income.

Group Life Contract For 6,000 Employees

The Equitable Life Assurance Society of the United States announces the completion of a group life insurance contract for the Union Oil Company of California which protects almost 6,000 employees for an amount exceeding $26,500,000. The protection ranges from $1,000 to $18,000.

According to the announcement, the Union Oil Company of California entered into a contributory group life insurance contract with the Equitable in 1915. The company paid the premiums and certificates of insurance totaling $1,676,000 were given free to 1,676 employees. This non-contributory plan of insurance, based on length of service, is effective today and employees are eligible for amounts of insurance ranging from $500 to $2,000. Through the years the number of employees has increased more than threefold, and on June 1, 1931, 5,958 workers were protected by free group life insurance in an amount in excess of $9,000,000.

Under a contributory group plan inaugurated June 1, 1925, the company offered all employees eligible for insurance, that is those who had worked a year, protection in amounts ranging from $1,000 to $8,000 based on monthly earnings. On June 1, 1931, 5,027 workers were insured for $11,518,750 under this later plan.

Beginning Tuesday, September 1, a new supplementary contributory group life insurance plan became effective. The plan is based on earnings ranging from less than $100 a month up to $550 and over per month, and the amounts of insurance that can be taken out by any employee are graded from $1,000 to $18,000. This amended plan will affect 4,700 employees and will add about $6,000,000 to the total of group life insurance effective on the employees of the Union Oil Company of California. This will bring its total group insurance coverage up to $26,500,000.

English gold and credit history

the background of the British Empire's stand on gold throughout the centuries

a resumé written in England by

FRANCES W. HIRST

THE history of credit is almost as old, and in its origins even more obscure than the history of money. Bills of exchange or their equivalent almost certainly existed in the days of ancient Athens and ancient Rome. The modern history of banking may be said to have begun in Genoa and other Italian republics, but it was carried to greater perfection in Holland by the Bank of Amsterdam. That famous bank flourished in the seventeenth century, but declined in importance during the eighteenth century after the establishment of the Bank of England and the growth of Britain as the leading naval and commercial power.

Before the war, as editor of *The Economist*, I made the acquaintance of Mr. H. W. Search, chief of the discount department of the Bank of England and one of the ablest men in the City of London. He used to impress upon me two cardinal principles of banking. The first relates to the kind of securities which an ordinary deposit bank should accept when it is making loans to its customers. A bank, of course, ought not to accept securities of doubtful value. Its holdings should be safe. But safety is not enough. Its holdings should also be liquid—that is to say, easily salable at any moment or at a near date. Mr. Search was fond of illustrating this principle from a saying which he attributed to an able financier, well known in the middle of the last century but now forgotten, Charles Poulett Thomson.

Poulett Thomson said "banking is the easiest business in the world. You have only to know the difference between a bill of mortgage and a bill of exchange." He meant, of course, that a banker should eschew bills of mortgage because they are "frozen assets" which cannot be turned into cash at any moment, and that he should invest in bills of exchange. These are now usually treasury bills or commercial bills, and are short-dated securities, payable as a rule three, four of six months hence. The distinction is all-important. Probably more banks have had to close their doors through neglecting it than for any other cause. A clever, pushful, ambitious banker naturally tries to persuade himself that it is safe to put the bank's money out at high rates of interest in order to earn large dividends, but this speculative type is almost sure to come to grief.

England owes the existence of treasury bills, to which I alluded just now, to the late Mr. Bagehot, who held the position of editor of *The Economist*. I remember the late Lord Welby, who was for many years Permanent Secretary to the Treasury, telling me how the Chancellor of the Exchequer—Sir Stafford Northcote, I think—sent him to see Mr. Walter Bagehot to ask him if he could suggest an improvement on the bills issued by the government to raise money for short periods, in order to make them more attractive to the London market. The late Mr. Bagehot, after thinking the matter over, said: "The Treasury ought to imitate as closely as possible the ordinary commercial bill of exchange, usually a three months' bill." Mr. Bagehot's suggestion was adopted, and the treasury bill resulted. The volume of treasury bills in 1930 was about equal to the volume of commercial bills, so useful has this mode of financing become.

The second principle emphasized by Mr. Search sounds simple enough, but is in reality highly controversial. It is the doctrine that the excellence of a good banking system shows itself in the economy of gold. In a sense, of course, this is not merely a truth but a truism, a platitude. The invention of credit and paper money and checks has been of inestimable value to business and commerce for this very reason that it enables business transactions both at home and abroad to be carried on without actual transfers of gold coins or bullion.

The check is, as it were, a connecting link between cash and credit. The two things cannot be disconnected, for cash has been described—correctly in a sense—as the basis of credit. Perhaps we should say the limitation of credit, for credit cannot be safely extended with-

(*Continued on page* 43)

"upon the mountain"

CREDIT is the "reliance on the truth or reality of something; trust given or received." (Webster) Such is the definition of this mental concept, which is based on the idea of belief or faith. Faith is found to be a "firm belief in what another states, affirms, or testifies", simply on the ground of his truth or veracity; "intellectual conviction in general, on whatever based, including even an approach to absolute knowledge." (Standard)

Faith and credit are seen to be very closely related to each other, so closely, in fact, that the statement made in the Scripture, "Now faith is the *substance* of things hoped for, the evidence of things not seen" takes on an entirely new signficance. The words "faith" and "credit" can be interchanged with equal facility.

The credit which is extended is done so on the strength of the character of the individual, or the "mark" that he has placed on himself by reason of his "high qualities; moral force" (Standard), and this same mental concept becomes manifest in "goods sold and delivered", whether that be merchandise or services for the creature comfort of the individual or the rehabilitation of an empire.

The individual is the dominant tone in the symphony of being. Be it family, corporation, city, state or nation the character of the particular group will be the "mark" placed on it by the effective mentality of the individuals comprising that group. As any real credit grantor will testify, no matter how flattering a financial statement may appear, no matter how high the ratio of assets to liabilities may be, if the character be negative or missing, then the capacity and capital are of no avail.

Yet there are those who would confuse the thought for the thing and who would seek to prostitute the concept for the paltry, temporary gain by letting down the bars as to the rational handling of credit in disregarding the obvious signs of unworthiness, or by placing an undue emphasis on the value of credit through an unwise offering of its advantages to those who are not prepared to receive them. This statement holds with equal force whether it be retail or wholesale credit transactions. (The term wholesale is used in the sense of all such operations which are quite apart from the individual purchaser, whether it be banking, transportation, manufacturing, primary or secondary distribution, or any other form of business activity.) The effort to make three blades of grass grow where only one appeared before, and where the situation barely warrants the optimistic appearance of the second blade, is not conducive to good business, credit or cash.

The experiences that the entire business world have gone through in the past few years have brought to light some interesting facts, most prominent among which are these: first, that the nations of the world are inter-related from every possible point of view; that the actions and thoughts of one are definitely felt by the others; and that no single one of them can be a law to itself; second, that the individuals are finding themselves freed from the false sense of limitation of time, distance, accomplishment and existence itself, and being raised to a higher state of understanding as to the real meaning of business and life.

Your clothes may speak so loudly that what you say cannot be heard.

C. H. M.

The man who towers above the crowd on success stilts has to keep on constant guard against saws of jealousy and envy from below and against brickbats of derision from above.

C. H. M.

our readers think

I wholly disapprove of what you say and will defend to the death your right to say it.—Voltaire to Helvetius

■ "Our Readers Think" is an open platform for our readers. Criticisms of all kinds will be published on this page. We believe in the strength and power of controversy. We believe in both brickbats and bouquets. There are no brickbats this month, perhaps we will have better luck next month.

Our Light In Dark Africa

Mr. P. M. Haight, Treasurer of the International General Electric Company, and one of the magazine's staunchest New York friends, has received the following letter from the Director of the South African General Electric Company in Johannesburg, South Africa:

Dear Mr. Haight

I am indebted to you for your thoughtfulness in having CREDIT AND FINANCIAL MANAGEMENT mailed to me as you have so kindly done.

I assure you the credit department of the South African General Electric Company and myself appreciate it and the Company is only too pleased to absorb the small subscription, for it is convinced it is getting a good return.

One Good Editorial Deserves Another

The editorial in the August issue of CREDIT AND FINANCIAL MANAGEMENT was an appraisal of the unemployment situation. Mr. William F. Ellis, Treasurer of Grenci & Ellis, Inc., Peekskill, N. Y., was moved to give his reaction to the unemployment situation. His letter to us follows:

Dear Sirs:

As a consistent reader of CREDIT AND FINANCIAL MANAGEMENT, I was very much interested in the editorial appearing in the August issue. As a manufacturer, I am interested in market conditions; but, as an employer, I am even more interested in unemployment. Consequently, the importance of this latter, as stressed by Mr. McCall has my hearty endorsement. However, merely choosing this item as an important factor is not going to do much good unless it is looked at from every angle, every one of which has its own degree of importance. In the accompanying article, I bring out one of these details and I present it to you for whatever purpose you may choose it to serve.

On the opposite page you have the privilege of reading the short article contributed by Mr. Ellis.

Thank You, Mr. Jeffords

The following is a letter received from Mr. W. A. Jeffords, Treasurer of the American Lava Corporation, Chattanooga, Tenn.:

Dear Mr. McCall

Congratulations on the last issue of our Association Magazine. I only finished reading it yesterday because I found every article to be of thoughtful interested.

In particular I liked your editorial and President Lee's defense of the railroads. The great rail highways independent of public roads are an asset that we must be careful to preserve against unfair or unequal competition.

Employment, as I understood your article to mean, is the gauge of human welfare and national content. Unemployment should be watched so carefully in the future that a repetition of the present crisis cannot occur. To my mind the government, national, state and local, must take up the slack, but take it up in time so that it won't be such a gigantic task as now.

I wonder if the "Equilibrists" or "Deflationists" realize what a volcano we are sitting on when large numbers of our population do not know where their next meal is coming from It's no time for an attitude of complacency if our system of government is to survive!

It is Usual To be Unusual

Mr. George A. Lindblade, Secretary-Treasurer, Sundstrand Machine Tool Company, Rockford, Ill., after reading our August issue, writes

Gentlemen:

In your August, 1931, issue there were, as usual, several very good articles, among which is the article written by Alvan T. Simonds.

Mr. Simonds mentioned several bulletins that guided him in his forecast. Would you please advise where we may obtain these bulletins and what the cost would be; Guaranty Survey, the Analist, and chart prepared by the Stable Money Association?

You may want the same information requested by Mr. Lindblade so we are reproducing the Managing Editor's answer to Mr. Lindblade's letter.

Dear Mr. Lindblade:

Your comment that in our August issue there were "as usual, several good articles" is indeed appreciated. As in your case, so in that of several other readers who have been stimulated to write in, the article by Alvan T. Simonds is rated highly and I am glad to be able to give you the information you asked concerning the bulletins mentioned by Mr. Simonds.

Guaranty Survey can be obtained by writing to the Guaranty Trust Company of New York. *The Analist* is a full size weekly business publication of tabloid proportions, published in New York by the New York Times Company. The chart prepared by the Stable Money Association undoubtedly comes from one of their bulletins. This is a worthwhile organization and you can receive this bulletin by becoming a member, for as little as $2.00 per year. The address of the Stable Money Association is 104 Fifth Avenue, New York. *The Annalist* is a subscription publication, but the the *Guaranty Survey* I am sure, can be yours for the asking.

should labor demand a lower wage?

by WM. F. ELLIS
Grenci & Ellis

LABOR is a commodity whose cost to those using it would be controlled by natural economic forces were it not for the artificial measures injected through so-called agreements. The price of labor today is not out of line with the values which existed three years ago. That price today, however, is wholly out of line with prevailing rates of other purchaseable things.

The manufacturer of materials has insisted on gradual cuts being made in his products for the past two years. Why? Not because he was altruistic, but because his primary desire was to sell his products and he recognized the necessity of lower prices in order to do so.

Labor is not different. Any man who works for a living sells labor in one form or another. When he can no longer find a market for his product, Labor, he is forced into unemployment.

A working man can least afford this suspension in the consumption of his product, of all suppliers of peoples' needs. A corporation has capital or surplus to draw upon during such a period. The laborer has neither of these. There has, of course, been much artificial price fixing in all commodities notwithstanding governmental efforts to prohibit monopolistic enterprises. No price, however well fixed, is capable of holding up long under dwindling demand or reduced purchasing power. In times like the present, prices very soon find their true economic level . . . and once found, fall below it.

Every effort to minimize the current stringency has been predicated upon the firm conviction that in time prices, etc., will be back to where we like to see them. No one doubts the fundamental soundness of our Business Structure and when the Cycle starts to swing upward it will go far beyond any mark heretofore set. Comforting as it is to believe all of this, it yet produces an influence which will retard rather than hasten the hoped for recovery. The more we allow our minds to dwell on this inevitable course of adjustment, the longer we will be in its attainment.

History furnishes us with a clear progression of events with a well-defined upward trend but it has not been consistently so. Wars, plagues, catastrophies and man-made errors have all, from time to time, contributed in momentarily retarding this progress. Periods of depression have alternated with eras of prosperity in bringing us to our present stage. There have been two steps forward for every one back. To put your finger on each contributing cause of our present crisis is fully as impossible as it is to deliberately prognosticate the outcome. It may be a long, long time before employers of labor will be able to pay the same high wages they did in 1928. By reason of the poorer returns to invested capital, there are fewer employers today than there were three years ago. All of this produces a curtailment in the demand for labor which in turn effects a noticeable reduction in the purchasing capacity of the people.

Those employers of labor who are still struggling along under these adverse conditions are selling their merchandise or services at prices materially lower than they were two and three years ago. They are not pleased to do this but, nevertheless, the very fact that they do continue in business is tacitly an evidence of their voluntary acceptance of conditions as they are. For the sake of their businesses they can not afford to do otherwise, and yet, in the majority of instances neither have they toiled so long nor so painfully to establish their industries as has Labor to reach its present-day position.

In light of this and other circumstances, one is led to question whether the man who sells his labor can long afford to maintain so high a price on his commodity. It has not been an easy task for Labor to amalgamate its forces throughout the world into such an intelligent and industrious organization as it is today. Neither is it easy, after such slow and desperate struggling, to voluntarily withdraw from any of the ground that has been gained.

History, however, is replete with fluctuations in individual and national fortunes and there are many cases of a wise retreat resulting in ultimate victory if it is well-timed to the exigencies of the moment. Like all other commodities, Labor has been rendered outside the control of man by the present circumstances and every economic factor points to lower wages as the right road out. Labor, however, is an entity no longer subject to dictation by those who employ it. Wage adjustments must be promulgated and carried out by the workers themselves, if any general benefit is to accrue therefrom.

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loss-cost, in order to avoid a loss. The time-lag therefore not only makes it possible for the companies to reap the benefit of preventive activity but makes it necessary for them to institute such activity in order not to slip backwards.

Casualty insurance is like fire insurance in the short duration of the contract, but because of the slow maturing of the experience there is a still greater lag between the experience and the rates, and consequently an even greater chance to capitalize preventive activity and correspondingly a still greater compulsion to institute such activity .

In the case of some hazards, for instance steam boiler hazards and elevator hazards, the need for preventive activity is imperative. In both of these cases it is evident that a highgrade inspection service is required and insurance protection and inspection service are given together apparently largely as a matter of convenience and economy. Certainly if the insurance company did not furnish the inspection service it would be quite necessary for the owner of a steam boiler or an elevator to secure such service from some other source.

In the case of some other hazards the need for preventive activity has not been so compelling. The safety movement in the workmen's compensation field for instance did not develop entirely out of the sheer human necessities of the case, as in steam boiler insurance. A very considerable factor in setting it into motion was the economic advantage to the insurance companies of preventive activity. The insurance companies were at the same time able to arouse the active interest of the assured in such work on a similar basis because of the fact that the results of safety activity would be passed on to the assured in the form of lowered premiums and because of the fact that the interest of the assured was sharpened through the introduction of merit-rating, a system which made it

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paging the new books

reviews of the important books on business, to aid executives whose reading hours are limited.

This Month's Business Book

BUSINESS ADRIFT. Wallace Brett Donham. McGraw-Hill Book Co., N. Y. 1931. 165 pp. $2.50.

In this book the Dean of the Harvard Graduate School of Business Administration looks at business and finds that it needs a plan. Being a public-spirited citizen, as well as an experienced administrator, he proceeds to offer one of his own.

What we need, says Dean Donham, is security. We have been in a fool's paradise, regarding good business as a substitute for security. Now we must face the problem. Increased security and leisure will tend to increase costs, but if we proceed carefully these costs will be offset by improvements in technology and management. Giving security and leisure will also lessen sales resistance and build up demand.

Under the Dean's plan for stabilization and security, the home market would be intensively developed. He does not believe that "the aggressive export of manufactured commodities" is good for American business. Our first duty, he suggests, is to plan so that our labor attains security and shares equitably in the general progress.

In regard to the maintenance of high wage schedules Dean Donham frankly admits a right-about-face. When Henry Ford established his five-dollar-a-day minimum wage the Dean would have none of it. He now believes that Ford's greatest service to American business was not his development of a low-priced automobile but his dramatization of the possibilities of a combination of increased wages and decreased costs.

What we need, Dean Donham concludes, is effective and rationally foresighted leadership, culminating in philosophically sound planning. On the question of whether or not we obtain such leadership from American business, the fate of capitalization may well depend. Moreover, we must remember that even plans made through such leadership will be dangerous if the leaders lack a philosophy of the problems of business as related to civilization or fail to develop the modes and habits of thought necessary to the rational foresight required in a changing world.

The high-lights of Dean Donham's earnest message are his emphasis on the challenge of Russia in the present world situation, his belief in the fallacy of excessive dependence on foreign trade, and his conviction that unless we develop a philosophy, a plan and a method of thinking about the future, the influence of American business on civilization will be not helpful but destructive.

—Frank A. Fall.

Notable Collaboration

ONWARD INDUSTRY! James D. Mooney and Alan C. Reiley. Harper & Brothers, N. Y. 1931. 564 pp. $6.00.

No one who is called upon to review two such books as "Business Adrift" and "Onward Industry!" in a single issue can doubt that some good clear thinking is being done about American business.

Dean Donham's work is the featured book this month, but "Onward Industry!" is fully entitled to share the honor. The authors are two fairly young men who know the selling game from A to Z —James D. Mooney, vice-president of General Motors Corporation in charge of overseas operations and Alan C. Reiley, for many years advertising manager of the Remington Typewriter Company.

The authors study industry from a new point of view. They start with the idea that the principles of organization have slowly developed through the centuries, in such institutions as the church, the army and the government. Having carefully traced this historical development, they apply the basic principles of organization to industry as it exists today and as we hope it may exist tomorrow or the day after.

From the nature of their duties and their experience, the collaborating authors are frankly interested in market expansion. This process involves, they submit, something more than a common industrial interest. It involves an actual industrial *inter-dependence* that extends to all industry, including all competitors in the same industry. This service of market extension, they say, is, in its very nature, one from which the industrial organization that renders it can benefit no more than all the rest. When the nature of such service and its industrial necessity are clearly understood, even active competitors may undertake such service in the same spirit of mutual helpfulness that should be manifest in industry as a whole.

Messrs. Mooney and Reiley assert the belief that modern industry has vindicated its ability to lead in the efficiency of the individual industrial units it has created. But they challenge this leadership to enlarge its horizon and to see beyond each individual interest the greater common interest. When industry achieves an integrated co-ordination for such a purpose it will, they believe, also achieve a collective power in human affairs that will enable it to speak with far greater authority in the halls of legislation than any dependent or restrictive interest.

In Russia today, industry has become the only "estate,"—the one interest on which all others depend. If it gains a similar position in other countries, the very immensity of its power will impose the severest moral obligations in its exercise. Such power, the authors conclude, can be lost only through forfeiture, and such forfeit can come only through deviation. But the power will endure so long as integrated industry holds its course true to its legitimate objective.

—F. A. F.

Status of The Director

CORPORATE DIRECTORS. Howard Hilton Spellman. Prentice-Hall, Inc. N. Y. 1931. 780 pp. $10.00.

This volume, prepared by a member of the New York bar, is the first legal treatise on the subject of corporate directors. In view of the sweeping changes that have taken place in business and financial organization during the past twenty years, its publication is timely.

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better than guessing

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coming in the stock market and in business. Business statistics do not serve their basic purpose unless they give the executive automatic warning signals about what may happen tomorrow, next week and next month. But back of facts that will serve this purpose must be a research program that is comprehensive in the business and industrial field and specific in its interpretation of individual industries and units.

"Before the present depression, for example, our statistics indicated that the automobile industry could not continue its heavy production schedules over the next two or three years. Many of the automobile manufacturers knew this as well as we did but the maintenance of their production was a virtual necessity in the face of other competition. Just what the automobile saturation point is has never been determined. It has long been a subject of controversy. But we do know how many families there are in the country and how many of these families have one or more cars. One large automotive manufacturer made a study of the life of the average car, or the number of years the average car is used until it is ready to be entirely disposed of. This analysis entailed the inspection of more than 40,000 cars going to the scrap-heap and questionnaires to thousands of automobile users. The survey indicated that an automobile is in use and is an active force in the automobile market, on the average, for about six years. A correlation of these data, with the production capacity and schedules of automotive manufacturers, should furnish the basis of an intelligent forecast of what the automobile industry is likely to do tomorrow, next week and next month."

The subject matter given in this article summarizes the business talk with Mr. Blake. We discussed in addition to these fundamentals present prospects for business gains and fluctuations. When I made my appointment with Mr. Blake I promised that I wouldn't ask him to do any prognosticating or to make any predictions about business. I must, of course, adhere to my agreement, but in doing so I believe I have the license to repeat one thing he said, "Every business man should study the present banking situation carefully and thoroughly. A study of this kind will be very valuable because in the banking situation of today we may find many answers to the questions that we are asking."

Business statistics, properly interpreted and properly used, are one of management's most valuable tools. A short article of this nature can at best, give but a brief study of the broad and significant field of business statistics. If you have any specific questions you want answered I'm sure Mr. Blake will be glad to answer them. Write to him at the Standard Statistics Company, 345 Hudson Street, New York.

A C. O. D. Town

An interesting experiment in the matter of cash-on-the-spot business is being conducted in Bloomfield, Neb., according to a United Press report.

Led by P. B. Lonergan, the town of Bloomfield is fighting agricultural hard times, bank failures, falling wheat prices, swarms of grasshoppers, and, perhaps most important of all, to keep its reputation as the only strictly cash-on-the-spot community in America.

Three years ago, "Pay" Lonergan originated the plan which gave Bloomfield its reputation as "Nebraska's Cash Town". As president of the Commercial Club, he got the signature of every merchant to an agreement not to extend credit to anybody anytime.

There had to be a few exceptions, automobile and radio dealers finally were given a special dispensation to sell on the installment plan. But doctors and lawyers held fast, however, to the plan, even in births and divorces.

Then came 1931. The wheat harvest was good, but the price was below production cost. Banks failed. And finally came the hordes of grasshoppers. Corn was eaten off at the level of the ground, every green thing fell before the insect legions.

"There's where P. B.'s cash plan fails", said some of the merchants, as the enormity of the disaster became apparent.

"Not on your life," answered Mr. Lonergan, and he started the fight Bloomfield is waging now.

Every merchant entering the cash plan agreement had agreed to pay a heavy fine if he failed to continue the system, and Mr. Lonergan says they'll pay if they fail.

"We're making people realize it's easier to pay their bills now than to let them accumulate," he explained.

▪ m.e.thinks ▪

TOP o' the mornin' to you. And have you heard of any new moratoriums of late? No? Well, well, where have you been?

How's your Plan then? You haven't heard of a new moratorium and you dare admit having no Plan! Wake up, sleepy head! Everyone has a Plan. Every program, every method of procedure, every line of action is a Plan now. You just must have a Plan these days. The Soviets have a word for it—Piatiletka!

It's All Over Now

Stalin started it with a couple of Five Year Plans or Piatiletkas for Russia. Then Hoover came out with a Twenty Year Plan for the U. S. . And Bernard Shaw says that what's wrong with England is that it hasn't any Five Year Plan. Rhode Island recently admitted having completed a successful Five Year Plan for its industry. And Minnesota farmers are on the threshold of a second Ten Year Plan, cutting down wheat acreage and guiding more "Bossies" and Lil Red Hens through the perilous paths of adolescence to the ripe age when they give their benefactors gold-bringing milk and eggs.

And YOU haven't a plan! Come, come, the Jones's have dropped their budget; they have a One Year Plan now. And lots of others are keeping up. It's quite the thing.

The political party that wishes success in the next national elections can forget the platform, ignore the tariff, and snub prohibition. All it need do is promise a Four Year Plan for all the citizens of this fair land from the rock bound coasts of Maine to the sunkist strands of California, as the spellbinders prefer to phrase it. Of course, the promise needn't be kept. Why break tradition in politics?

A Plan to End Plans

Right now, methinks, there should be a Plan to end all Plans.

Actually I am not opposed to planning and organization. They are necessary to individuals, corporations, civilization. But there lingers the fear in this sturdy old soul that our Plans of today may fade with the first gleam of Prosperity's dawn.

Economic planning on a sound basis should and can be a great boon to mankind. It need not take on the aspect of state capitalism as in Soviet Russia. It can eliminate the evils of overproduction, foolhardy credit expansion, consequent depression.

Shameful, indeed, would it be if the very useful Plan idea became a fad and disappeared as rapidly as Tom Thumb Golf, bantam cars, or the "Buy Now" campaign of last winter. There ought to be a law against plans, but there ought to be a Plan. Do you follow me?

—m. e.

new credit survey

CURRENT obligations in the form of open credit and installment accounts continued to be paid in orderly manner during the January-June period of the current year while new obligations were assumed in the same proportion to cash sales as formerly, according to the third semi-annual retail credit survey made public by the Department of Commerce.

The facts set forth in this report, based on returns received from 483 retail establishments, in 25 cities, representing seven lines of retail business, show that current obligations in the form of open credit and installment accounts continued to be paid in an orderly manner and new ones assumed in the same proportion to cash sales as formerly.

The semi-annual retail credit surveys are conducted every January and July by the Department of Commerce at the request and with the cooperation of the National Retail Credit Association and its affiliated credit bureaus in representative cities throughout the country. The results of these surveys act as a chart or guide to the merchant and his credit manager, enabling them to compare their own figures with those of others operating under similar conditions. They are also of value to all those who are interested in retail credit conditions as a whole and trends in changing conditions.

The current study contains reports from 483 retail establishments, including 104 department stores, 75 furniture stores, 51 jewelry stores, 92 men's clothing stores, 51 shoe stores, 81 women's specialty stores, and 29 electrical appliance stores, located in 25 cities, with total net sales of over half a billion dollars for the first six months of 1931, show that net sales decreased 8.7 per cent in comparison with those for the corresponding period in 1930.

The report reveals that the changes in the proportions of total sales on cash, open credit (regular charge account) and installment (deferred payment) basis, during the period studied, were very small. Cash sales increased from 43.4 per cent of total sales to 45.0 per cent; open credit sales decreased from 45.9 per cent to 44.9 per cent; and installment sales decreased from 10.7 per cent to 10.0 per cent.

Returns and allowances (including repossessions on installment sales) for the 348 stores reporting were 10.4 per cent of gross sales for the first six months of 1930 and 10.2 per cent for the same period in 1931. Returns and allowances decreased slightly on all types of sales—cash, open credit, and installment.

The open-account collection percentage for all stores for January-June, 1930, was 41.7 per cent and for 1931, 39.6 per cent. Installment account collection percentage for all stores January-June, 1930, was 15.4 per cent and for 1931, 15.1 per cent.

The average bad debt loss on open credit account of all stores reporting was 0.6 for the first six months of 1930 and 0.8 per cent for the corresponding period in 1931. For installment accounts for all stores—1.5 per cent in 1930 and 1.9 per cent in 1931, the report discloses.

Copies of the "Retail Credit Survey," issued as Domestic Commerce Series No. 53 may be obtained for 10 cents from the Superintendent of Documents, Government Printing Office, Washington, D. C., or any of the Branch Offices of the Bureau of Foreign and Domestic Commerce located in principal cities throughout the country.

now more than ever

(*Continued from page* 11)

fought the battle of credits over a third of a century. If our morale is sound and our generalship adequate, the seasoned army of credit executives represented by our membership will cope successfully with today's challenge to leadership.

Problems confront us today as they confront every business organization; but they are not at all insurmountable. They are trivial in comparison to the great field of possibilities which lie before us. We face the future confident of the advantages we possess, anxious to employ them for the good of general business and, above all, not only to hold the territory already won, but to move forward to conquer new fields.

New responsibilities and new opportunities are before us. We shall not fail in meeting the one and in taking advantage of the other. A little more concentration of effort, a little more sacrifice and we shall be on our way to the goal of greater achievement.

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possible for him to reap the benefits of his own preventive activities, instead of merely getting his share of the benefits that came from the activity of the mass.

As a matter of fact workmen's compensation insurance is exactly one of those fields where preventive activity is not merely desirable in order that a profit may be made but imperative in order that a loss may be averted. The mechanization of industry and other factors in modern industrial life are having the effect of making industry intrinsically more hazardous. Industry if left to itself, that is, without the instituting of safety activities, would unquestionably register a steadily increasing loss-cost. The safety movement is therefore a necessity to the insurance companies if they are to escape heavy and steady losses.

While a saving from a safety movement goes for a few years to the insurance company, the benefit of the saving is thereafter passed on to the assured in the form of the lowered rates that are based upon the improved experience. Since however the law of diminishing returns will operate in the conservation field as elsewhere, a point will eventually be reached where the cost of conservation efforts will equal the further return in the form of savings. It will not pay to increase conservation efforts beyond this point unless conditions should change. On the other hand, they must be maintained at this level in order to prevent the company from slipping backward and making a loss. Rates will soon adjust themselves however to the situation and when they do there will be no margin in the adjusted rates to pay even for this amount of preventive work and much less for any increase.

The only way of taking care of the situation will be to charge up the cost of this preventive activity to the assured. The assured has been gradually given all the benefit that has resulted from preventive activities and when the point has been reached where the savings equal the cost of additional activities he must from this point on carry the whole of this cost also.

As a matter of fact, the transfer of the cost of preventive activities to the assured will not be made suddenly. As the amount of preventive activity increases, the expenses and the loading upon the rates increases. So that the assured at the same time that he comes into the enjoyment of a decrease in rates, due to a decrease in the loss cost, also experiences an increase in the expense factor. The decrease in the rates due to more favorable experience however more than balances the increase in the expense.

In some states state officials have the power to limit, and do limit, the amount of expense in the case of workmen's compensation insurance that a company can put into the rates. This makes it impossible for the company to pass the cost of preventive activity on to the assured. Since the savings due to the exercise of preventive activity have gone automatically to the assured through rate adjustment the company is left in the position of having to carry the cost of this preventive activity without enjoying any benefit from it. The effect is that the company under these circumstances will not be able to carry on such activities. How devastating in its effect upon sound development would have been a limitation of the amount that an insurance company could pay for expense in the case for instance of steam boiler insurance! It would have killed the development of the tremendously important service that the insurance companies give in keeping steam boilers in proper condition.

In most lines of insurance not only has this static condition not been reached but the field of conservational activity has been only slightly cultivated. The reason for this is that insurance for the most part has not yet emerged from its primitive period. The primitive period in any business is characterized by an absorption in production with very little attention paid to outgo. This period is illustrated by the early days of farming in the middlewest when crops were had by merely scratching the soil and sowing the seed with neither intensive cultivation nor the use of fertilizer. The primitive period in industry was that period when, particularly under a protective tariff, industry could afford to concentrate on the production of the main product with little attention given to the development of by-products.

But just as the primitive period has passed in agriculture and in industry, so the primitive period is passing in insurance. Competition is making the writing of a large volume of business increasingly difficult. Restrictive legislation is making the getting of adequate rates more and more difficult. Our hectic, mechanized civilization is making life continually more dangerous. It is necessary for insurance companies to turn their attention more and more strongly to conservation of outgo both because of the difficulty of increasing income and in order to counteract a rising loss-cost.

Conservation is a necessary development in insurance on economic grounds, and these grounds are in the last analysis social. There are however also more immediately social considerations that must be taken into account. While the main and preponderating effect of insurance is beneficial there is a secondary effect in the case of most insurance that is adverse to the public good; insurance tends to weaken the sense of individual responsibility. If all the fire insurance in the city of New York were cancelled, calamitous as that would be, it would undoubtedly have the effect of greatly stiffening individual responsibility. With no insurance on the city we would not do some of the careless things that we do now. In a certain sense then insurance owes a duty to society to replace what it has removed with an equivalent. This it is in a position to do by carrying on conservational activity on a far larger and more effective scale than could be attempted by the separate units that are insured.

answers to credit questions

Conducted by Walter C. Foster

Judgment as a Preferred Claim in Bankruptcy

Q. (a) Where a judgment is secured and properly filed and is outstanding for a period of four months from date of filing, does it become a preferred claim over ordinary creditors in the event of bankruptcy?

(b) Is it required that the levy be made first?

(c) Kindly give us your opinion as to what a deficiency judgment is.

A. (a) The bankruptcy law provides that liens recognized by state law are valid as against the trustee in bankruptcy, provided they are not preferences created within four months prior to bankruptcy.

(b) In the State of New York the docketing of a judgment itself creates a lien as against real estate. If the debtor has no real estate the docketing of a judgment does not create a lien in the absence of a levy on personal property belonging to the debtor. If the lien in either case becomes effective and remains undisturbed for a period of four months preceding the filing of a petition in bankruptcy it is a preferred claim.

(c) A deficiency judgment is a judgment for a balance remaining after realizing upon security such as after the foreclosure of a mortgage.

Responsibility of a Vendor Upon His Failure to Properly Value Goods Shipped

Q. When orders are received without shipping instructions by a vendor whose usual shipping terms are F. O. B. factory, is the vendor or the vendee responsible for such value of the shipment as is represented by the difference between the insurance provided by the transportation company and the actual value of the merchandise in the event of loss in transit?

A. The law is clear that delivery to a carrier is incomplete so as to charge a vendee with the responsibility for loss or damage unless the vendor in so delivering exercises due care and diligence to provide the vendee with a remedy against the carrier. In *Clark vs. Hutchins*, 14 East. 475, in speaking of a vendor's obligations under such circumstances the Court said: "He (the vendor) had an implied authority *and it was his duty* to do whatever was necessary to secure the responsibility of the carriers for the safe delivery of the goods and to put them into such a course of conveyance as that in case of a loss the defendant might have his indemnity against the carrier."

The rule enunciated in the above case is typical of the construction placed upon delivery contracts under such circumstances. In the absence of a request by the vendee as to a particular means of conveyance the vendor is forced to give the vendee all reasonable protection. Upon the vendor's failure to exercise this necessary care, he subjects himself to any ensuing liability.

Deposits as Preferred Claims

Q. Where a letter of credit is deposited with a bank, which bank fails, and is taken over by a Receiver or the State Bank Committee, would this letter of credit be a preferred asset and would it be refunded at once?

A. Mere proof of the insolvency of a bank does not entitle one who made a deposit in it on the day before it was closed by the Banking Department, to recover his deposit in full, for in order to justify such release, it must appear that, when the bank receives the deposit, the officers and directors *actually knew* the state of its insolvency. There are many authorities to explain the aforementioned statement. As one of the cases states it, "the mere fact of insolvency at the time the deposit was received is not sufficient to justify a finding of fraud but the insolvency must be of such a character that it was manifestly impossible for the bankers to continue in business and meet their obligations and that fact *must have been known to the bankers* so as to justify the conclusion that the bankers accepted the depositor's money knowing that they would not and could not respond when the depositor demanded it." It is fraud that must be proven. An honest mistake as to the condition of the bank and an honest belief in the solvency of the institution, if it existed, nullify the conclusion of the fraud upon which the plaintiff's cause for action must depend. It is interesting to note, if the necessary knowledge and fraud on the part of the directors is established, the penal law, section 295, characterizes such conduct as a crime under the laws of the State of New York.

Receiverships—Ohio

Q. If a receivership is declared for an Ohio corporation and certain assets, plant, equipment, receivables, etc., are due and there is a branch located in Pennsylvania where an ancillary receiver is appointed, is it correct that under Pennsylvania laws no funds shall be taken from the state of Pennsylvania to pay bills in any other state until all bills are paid in Pennsylvania?

A. The following excerpt from an opinion of Meatrezat, J., in the case of Frowert vs. Blank, 205 Pa., 299 (1903), explains the view of the Pennsylvania courts in these matters: "When the funds of the insolvent corporation in Pennsylvania were placed in the hands of an ancillary receiver, they were subject to the claims of the creditors of the corporation in this state. The New York receiver had no lien upon them and could not take possession without authority of the Court which . . . would not be granted as against the rights of domestic creditors. The claims of these creditors were duly presented to and proved before an auditor appointed by the Court while the funds were still in the hands of the receiver and *within his jurisdiction* and hence subject to the order of the court until the assets of our insolvent corporation have been taken possession of by a receiver appointed by the courts of the domicile of the corporation and while they are still within the domestic jurisdiction, a foreign receiver by virtue of his appointment is not in a position to assert his control over the assets, nor to exercise any authority over them as against domestic creditors."

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paging the new books

(Continued from page 38)

Changes in the relations between corporations and their stockholders have come about gradually but none the less definitely. The corporation was originally regarded as a legal convenience for dodging personal liability, representing the sum total of the joint endeavors of its stockholders. The stockholders were collaborators in business activity. They are that no longer in any real sense. They have become simply investors, and their functional powers go no further than the protection of their investment.

Many factors have contributed to this change. Among them are the multiplicity of individual stock holdings, the diversification of wealth, complexities in industrial processes and advanced methods in public financing. Management, the dictation of business policy and the ultimate determination of the corporation's legal relationships are now entrusted to the board of directors. With that body rests the power of corporate action, and upon its members are laid the responsibilities and liabilities arising from that power.

The new status of the director is now generally recognized by courts and legislatures, and it is fortunate that this status is now clearly set forth between the covers of a single volume. Both lawyers and laymen will be grateful to Mr. Spellman for the comprehensive treatise he has produced.

The material is divided into eleven chapters, dealing consecutively with the following general topics: nature of corporate directorship; qualifications of directors; election of directors; proceedings to determine directors' title to office; tenure of office, resignation and removal of directors; meetings of boards of directors; powers of the board of directors; delegation of power; "interested directors" and interlocking directorates; civil liability of directors; criminal liability of directors.

For convenient reference, the material is divided also into serially numbered sections, of which there are 281. The headings of these sections are listed with the chapter headings in the table of contents, so that it is possible by consulting this table to run down easily and quickly any specific subject in which the reader is interested.

Mechanically, the publishers have made the book most attractive. It is printed in fairly large type, on excellent paper with generous margins. The binding is in durable cloth with gold backstamp. The volume is admirably designed to withstand the constant use it is bound to encounter in many legal and business offices.

—F. A. F.

English gold and credit

(*Continued from page* 33)

out due regard to its convertibility into cash. You will sometimes read or hear it said that gold is the basis of credit. That cannot be true, for you may have credit, and you do have credit, in countries without a gold standard where the currency is silver or inconvertible paper money. The basis of credit is not metallic but moral or economic. It is, in a word, creditability or trustworthiness, and one of the chief objects of a deposit banker is to find out who are the trustworthy people in the district which his bank serves, and secondly, in the case of those who are ready to put up securities for an advance, what is good security. The third question bankers have to ask themselves is, "How much can we lend?" What should be the proportion of our cash and liquid assets to our liabilities?"

The answer to this third problem ultimately rests in England, with the Bank of England, which holds the central gold reserve and has to see that the proportion of that reserve to liabilities does not fall too low.

Before the war, when England enjoyed a full gold currency and all notes were convertible into gold, the Bank of England had two dangers to provide against—the danger of an internal drain through a run on the banks (as happened in the Overend Gurney crisis in 1866) or of an external drain like that caused by the American crisis and panic in the autumn of 1907, when in the course of a few weeks more than $20,000,000 of gold were drawn from the reserves of the Bank of England and exported to the United States.

It is a maxim of currency and banking that in a time of panic when there is a run on the banks, the true and only remedy is for the banks, with the assistance of the central bank, to lend freely to all trustworthy persons who need accommodation. Consequently in the last resort the remedy for an internal drain before the war, in England, was a suspension of the Bank Charter Act of 1844 for the purpose of enabling the Bank of England to issue notes beyond the legal amount without gold cover, on the written authority of the Prime Minister and the Chancellor of the Exchequer, who undertook if necessary to obtain the sanction of Parliament. This power was granted to the bank three times before the great war—in 1847, in 1857 and during the Overend Gurney panic of 1866. The last and by far the most serious crisis requiring special currency measures occurred on the outbreak of the Great War in August, 1914, when the gold standard was practically abrogated and an era of inconvertible paper money instituted in Great Britain for the first time since the Napoleonic Wars. The gold standard was restored in a modified and restricted form eleven years later, in 1925. Under this gold exchange standard, or gold bullion standard as it usually is called, gold sovereigns and half sovereigns no longer circulate, and there is no obligation on the part of the Bank of England to supply them on presentation of a paper note. But the Bank is obliged as before to buy standard gold at the rate of £3.17.9 per ounce, and it is also obliged to sell gold bars of a minimum weight of about 440 ounces in exchange for its notes at the price of £3.17.10½ per ounce. There was thus no longer any fear of an internal drain caused by a panic and a run on the banks. The only thing to be provided against was an external drain like that of 1907.

What then is the remedy for an external drain? It is simply to raise the bank rate to a point at which gold,

(*Continued on page* 49)

in the modern office

an idea and experience exchange on equipment, system and management in the modern credit and business office.

Prevents Slipping of Duplicates and Carbons

For the purpose of speeding up work, and reducing costs of issuing statements, invoices, bills and other business record forms, the Standard Register Company, Dayton, Ohio, announces a new typewriter attachment known as the Rotary Pin Feed Aligning Device. The attachment, applicable to any standard typewriter, is a regular typewriter platen equipped, on each end, with two pin wheels and disappearing pins.

The printed forms used in the typewriter are furnished in continuous lengths and are interleaved at the factory with one-time carbon. The forms have holes punched along the sides. As the forms come up and around the typewriter platen, the pins in the pin wheels engage in the holes along the sides of the forms and thereby hold them in close registration and issue the forms out of the typewriter. Slipping and creeping of the forms at the top, bottom and sides is eliminated.

Use of the rotary pin feed aligning device does not preclude the use of the typewriter for letter work, addressing or other similar work. The disappearing pins can be adjusted, in short order, so the typewriter can be used for ordinary general work as well as billing purposes.

Firms who use record forms with one or more copies to the set will find this attachment an economical method of handling such work, without necessitating a large investment.

New Window Ventilator

Now comes the Maxim Window Ventilator, designed by Hiram Maxim, famous American inventor whose "silencer" plays a part in most gang and underworld movies, to say nothing of its world-wide use in real life. The Campbell Metal Window Corporation are producing Mr. Maxim's ventilator, full details of which will be given in a coming issue of CREDIT AND FINANCIAL MANAGEMENT.

National Business Show

This year's National Business Show will take place at the Grand Central Palace, from October 19 to 24. From November 14, the show will be at the Stevens Hotel in Chicago. Here is an excellent place for picking up new ideas on office equipment and devices.

Another New Bookkeeping Machine

Underwood Elliott Fisher Company have just introduced a new bookkeeping machine—the Universal—designed to meet the need for a machine that will not only cross-compute but will also accumulate a large number of columnar totals.

The new machine is well adapted to trust accounting, cost and sales analyses and records, expense distribution, stock records and other records which necessitate segregated totals.

The Universal has a totalizing capacity of 30 vertical columns and can carry, at the same time, as many as 7 cross computations. Proof Keys and Elimination Keys make for eliminating errors at the source and save much time. Operating keys have a light action. Carriage return, line spacing, date printing and carriage tabulating position are automatic. Front or rear feed is optional with purchaser.

The cross-computing registers are conveniently located below keyboard. Large, clear numerals are used and these are plainly visible at all times. The vertical column registers are located on the front of the carriage, easily removed and replaced on the machine or moved to a different column, and instantly changeable from addition to subtraction. Amounts shown on dial wheels and fully visible to the operator at all times.

Customer's Statement, a Ledger and a Sales Record or a Journal of Cash Receipts can be produced at one operation. Each figure is proved in operation. This is the sixth new Underwood model introduced this year. The previous products have been Underwood standard, portable and noiseless portable typewriters, the Elliott Fisher direct subtracting machine and the Underwood selective register bookkeeping machine.

Noiseless Portable

A new noiseless portable typewriter will be placed on the market in the near future by Remington-Rand. Should commend itself to executives who use portables for making notes, confidential memos, etc.

Half Lit Sign

An inside sign should be either fully illuminated or out. Illuminated signs, in which a few bulbs are burned out, are worse than no signs. Not only is the inscription—"Information", "Cashier", etc., illegible, but the impression created is one of slovenliness and careless management. Interior signs can and should be, inspected regularly and deficient light bulbs replaced.

digging out the profits

buried

in your office

You are a reader of this magazine and we want to help you find the buried profits in your office. We want to assist you in turning lazy *overhead dollars* into active *profit dollars.* Our new Office Management Service Bureau announced on this page is founded for the single purpose of giving our readers impartial, unbiased, expert analysis and advice on all phases of office management problems and procedure.

The Office Management Service Bureau offers you a trained staff, able to study your office problems, analyze your needs and requirements and make specific recommendations that will save you time, money and labor in the operation of your office. The service is as generalized, or as individualized, as you may want it.

A thorough and comprehensive survey will be made of your office and a written analysis, based on this survey will point out how you can save money and increase your office efficiency. Or you may send in a letter asking a single question about any particular equipment, procedure or method that may interest you.

The Bureau also offers you independent, unbiased, purchasing advice. If you happen to be one of those executives who does not like to be bothered by salesmen, the bureau will save you the trouble of shopping around, by giving you complete information on any equipment, appliances or methods that may be pertinent to your needs. *The bureau does not sell any equipment.* It merely offers you the service of this unbiased purchasing advice.

The bureau is created to help you—use it.

we can help you . . . .

- standardize BRANCH OFFICE layouts, methods, practice
- lower your CORRESPONDENCE costs and increase output
- get your FILING done more accurately and economically
- eliminate peaks and valleys from your FLOW OF WORK
- analyze your FORMS
- adopt the most practical LAYOUT arrangement
- apply MACHINES and SYSTEMS to your problems

reduce your office overhead and increase your profits

CREDIT and FINANCIAL MANAGEMENT'S

OFFICE MANAGEMENT SERVICE BUREAU

under the direction of

H. P. PRESTON

Office Management Expert and Consultant

You may send complete information to

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Please write name clearly, tear out, attach to your letter head and mail to Credit and Financial Management, One Park Avenue, New York.

rehabilitating Mrs. Fredericks

(*Continued from page* 27)

business structure, from the accounting end, but he revealed the necessity of disposing of one of the two units of the business. Whereas a previous survey of the United States Department of Commerce had found that the average percentages of wages to sales was 26.3 per cent. in similar size establishments, only one of the two branches conformed to that standard. That one had a ratio of 26.6, but the second's wage scale ate up exactly 40 per cent. of income!

After the facts were placed before Mrs. Fredericks she became very much depressed and cried during a conference with the creditors' investigator, claiming that she had realized her situation for some time but had not known which way to turn for assistance.

It was the first time that she had been in serious financial difficulties. Some fifteen years before she had started in business with a small shop but had run that business only a short time, eventually selling out to others and opening a new venture. The new venture was well considered for, when the day of arrival of the Business Survey expert came, that business was still carrying on in a profitable manner. So profitable was it, in fact, that Mrs. Fredericks was stimulated to repeat her success in another location, a business similar to the one she was conducting having been located at this second spot for nine years.

That was the second unit of her business and the one she was losing money on. When she took it over the place was untidy, poorly arranged and badly run down, necessitating the expenditure of considerable cash and effort in placing it on a proper basis. But despite her improvements and the reputation she had developed at her other location, the new branch did not build up as had been expected. The matter of sufficient liquid capital to carry over the weak portion of her business ventures caused the decline of her ability to meet her accounts promptly, for she had to draw on the profits of her first branch to carry on the business of the second, which required more than was actually available.

Having thus definitely established Mrs. Fredericks' business ills as being stimulated by poor accounting methods, operation of an unprofitable unit without enough liquid capital to tide over a weak period, the investigator recommended the following remedies:

1. Installation of a proper bookkeeping system.
2. Sale of the unprofitable unit.
3. Transfer of the existing real estate mortgage on her residence from her bank, which carried the mortgage, to a reputable Building and Loan Association with the purpose of securing a more advantageous loan on the property on which her residence was located.

The creditors relayed the recommendations of their Business Service representative to Mrs. Fredericks and in three weeks she was following their instructions implicitly, voluntarily bringing the funds accruing from the recommended adjustments to the Business Service department and requesting that they be pro-rated among her creditors. On the recommendation of the Business Service department she opened a special trust account with a local bank and deposited the funds there so that the possibility of some non-member of the creditors committee, which had sponsored the rehabilitation of her affairs, levying an attachment thereon might be precluded.

She agreed to this plan. All involved creditors in time received checks covering 70 per cent. of their claims, these creditors including not only members but also non-members. At present Mrs. Fredericks is operating only the profitable unit, her prospects of success are good, her credit with merchants is rejuvenated, and she is looking forward with enthusiasm for the future.

Had her creditors not been interested in rehabilitation, had they frantically grabbed for whatever they could to settle their accounts, this business would undoubtedly have gone into decline and ultimate liquidation within three or four months, with considerable loss to creditors and debtor alike.

That it was a triumph for Business Service is evident. If the moral seems a bit too obvious, the beneficial results attained can be called upon to justify the deduction: Rehabilitation of a weak retail unit is a moral and economic duty of those doing business with that unit. Bankruptcy or adjustment through liquidation settles accounts to a degree but it does not develop better trade practice, more intelligent retailing. That is one of the bounden duties of enlightened business.

One Month's Convictions

Fraud Prevention Department of the National Association of Credit Men

MAY, 1931

Case	Individual	Charge	Sentence
Abramson & Sherman, No. 43 West 24th Street, New York City, N. Y. (Mfrs. Boys' Clothing)	Saul Abramson Harry Sherman	Use of the mails in a scheme to defraud	Suspended sentence, three months.
Edwards Furniture Co., Concord, N. C. (Furniture)	Charles N. Edwards	Concealment of assets	1 year and 1 day in Atlanta Penitentiary.
	R. R. Raynor	"	"
P. D. Kolodney, tdg. as Philip's Bargain Store, Winston-Salem, N. C. (Dry Goods & Clothing)	P. D. Kolodney	Concealment of assets and use of mails to defraud	Fined $500 and placed on probation for 3 years.
Nathan Katzin, tdg. as Southern Loan Office, Winston-Salem, N. C. (Loan office)	Nathan Katzin	Concealment of assets	1 year and 1 day in Atlanta Penitentiary.
	Eli Katzin	"	"
	George Katzin	"	Fined $300 and placed on probation for 3 years.
Morris Boot Shop, Wilkes-Barre, Pa. (Shoes)	David W. Morris	Use of mails to defraud	Fined $100 and placed on probation for 1 year.
The Spragg Company, Cameron, W. Va. (Clothing & Men's Furnishings)	E. L. Spragg	Use of mails to defraud	9 months in the Marshall County Jail at Moundsville, W. Va.
Chase & West, Des Moines, Ia. (Furniture)	Harry Levy	Violation Postal Laws	Fined $3,500.00 and costs.
M. F. Slusher, Slusher, Kentucky (General Mdse.)	M. F. Slusher	Violation Postal Laws	Six months suspended.
G. E. Sanders, Peoples' Store, Harlan, Kentucky (Clothing)	Geo. E. Sanders	Violation Postal Laws	12 months probation.
Louis Harris, tdg. as Kiddie Romper Co., Cleveland, Ohio (Children's Clothing)	Louis Harris	Violation Postal Laws	2½ years Atlanta Penitentiary.
John Dean, E. Chicago, Indiana (Salesman)	John Dean	Obtaining money under false pretenses.	6 months County Penal Farm and fined $50.00.
John H. Pearson, Sullivan, Illinois (Clothing & Dry Goods)	James A. Ryan	Subornation of perjury.	(To be sentenced later.)
	Jos. C. Hopewell	"	
H. L. Foster, Montgomery and Luverne, Ala. (Gen. Mdse.)	W. A. Wilson	Concealment and conspiracy to violate the National Bankruptcy Act.	15 months Atlanta Penitentiary.
Moses Milner Shoe Co., Cleveland, Ohio (Shoes)	Moses Milner	Concealment of assets.	14 months Atlanta Penitentiary.
John Mahler, Trinidad, Colo. (Men's Furnishings)	John Mahler	Conspiracy to violate Sec. 29B National Bankruptcy Act—Perjury.	1 yr. Conspiracy charge. 1 yr. Perjury charge.
	Bernard Rozran	" "	1 year 1 day Conspiracy charge, Federal Penitentiary, Leavenworth, Kans.
John L. Kling, d.b.a., Auburn Electric Co., Auburn, Wash. (Elec. & Radio Supplies)	John L. Kling	Forgery	3 to 15 years Monroe State Reformatory, Wash.

Total of 1162 *Convictions from June* 1, 1925, *to May* 31, 1931

addresses wanted

ALEX, GEORGE, 5060 Lake Park Ave., operated a restaurant,—residence address, 1642 E. 53rd St., Chicago.

EMMITT, Fred, formerly operated the Marysville Drug Co., 400 D. St., Marysville, California.

FICKEISSEN, VIOLA B., 776 E. 216th Street, Williamsbridge, N. Y., N. Y.

HEILMAN, P. M., formerly of 260 Crescent Avenue, Peoria, Ill.

HUBBELL, WILLIAM, formerly doing business as Kilbourn Construction & Material Company, 6945 So. State Street, Chicago. Supposed to be operating or livng in Benton Harbor, Mich.

HYDE, WARREN, formerly connected with the Arlington Press, 1453 Venice Bldg., Los Angeles, Calif.

KAY, BARNEY C., formerly located at 1322 Winnemac Avenue, Chicago, Ill.

KLEIN, J. M., who formerly operated the Glenwood Pharmacy, 789 Market St., Cor. 7th St., Riverside, Calif.

KRUGER, DAVID O., formerly 565 Michigan Ave., Detroit, Mich.

MANISCALCO, E., proprietor Hillsboro Shoe Repair Shop, Plant City, Fla.

MYERS, M. H., 467 Broadway, New York, N. Y.

RENARD CHOCOLATE COMPANY, formerly 934 Rogers Place, New York, N. Y. Now believed to be in New Jersey.

RINZLER, MORRIS, t. a. U. S. Waistband, Inc., 195 Chrystie Street, New York City, also 49 Sutter Ave., Brooklyn, N. Y.

SIMS, A. J., Crystal Springs, Miss.

STAVA, A. T., (Druggist), Lyman, Nebraska.

TAYLOR, FRANK W., 247 Maple Street, Camden, N. J.

THOM, WILLIAM W., Insurance Agent, formerly at 845 Western Avenue, Blue Island, Illinois.

English gold and credit

(*Continued from page* 43)

instead of flowing out of the country will be attracted from abroad. Money tends to flow to the place where it is dear, i.e. where it can earn a higher rate of interest.

If, as they say in the city, money is tight and borrowers are hard-pressed, and they cannot get the banks to lend them as much money as they want, or to discount their bills, they go to the Bank of England, which is ready to discount bills at the official rate of discount. The official rate is, in normal times, little above the market rate of discount; and so the market only goes to the bank when it cannot get accommodation at the joint stock banks or elsewhere. But the Bank of England has to preserve a certain proportion between its gold and its liabilities; and consequently if the market goes on borrowing, it will eventually raise the rate of discount, as it did during the American crisis of 1907, or as it did in 1929 in the last stages of the Wall Street boom, from 3 to 4, or from 4 to 5, and from 5 to 6 per cent or even higher, until the rate is so high that the demand for accommodation ceases. Then the reverse process happens or may happen. There are more lenders than borrowers. The official bank rate becomes so much higher than the market rate that it ceases to be in any way effective, and the Bank of England will then follow the market rate downward until a balance is again reached like the 3 per cent.

If I had space, I would say a few words about my friend, Professor Gustav Cassel's theory that it is the duty of a central bank, like the Bank of England, or of all the central banks acting together through the new International Bank at Basle, not only to regulate the price of money, but also to maintain and stabilize its purchasing power. One may content one's self with admitting that a rise in the bank rate tends to depress the price of commodities, while a lowering of the bank rate, by cheapening money, encourages trade and speculation and so tends to raise prices. In the technical jargon which has become popular since the war, a high bank rate makes for deflation, and a low bank rate for inflation.

Banks, by the way, are not philanthropic institutions, and that is a reason why the public, their customers, are, or ought to be, averse to anything like a banking monopoly. Up to a point, the elimination of small banks in England and their amalgamation into larger units was defensible and desirable from the standpoint of security. A century ago in England, as now in the United States, a commercial or stock exchange crisis would bring about a panic, during which numbers of small banks would close their doors.

The danger now is that with five great banks and only a few smaller ones, there may be a gentlemen's agreement not to give the public the full benefit of cheap money. For example, during 1930 the bank rate was falling rapidly and became only 3 per cent. At the same time the open market rate for short loans had been until quite lately only about 2 per cent and the discount rate for three months' bills about the same. But the banks were still charging most of their customers 5 per cent. for overdrafts, although their charge is supposed to be only 1 per cent. above bank rate. Big customers, we are told, can get lower rates; but why should not ordinary people, on depositing sufficient security, be able to get accommodation at rates more nearly in accordance with the official minimum of the Bank of England? If there were real competition between banks the small trader and the small customer might have better treatment.

Employee vs. Dealer

A lather pays $12.00 per month to his local union. That is $144.00 per year. He has an investment of about $3.00 in overalls and a lathing hatchet. The time he devotes to his work is about eight hours a day and five and one-half days a week.

On that basis, about how much should a builders' supply dealer with $25,000 invested in his business, and putting in as much of the 24 hours a day, seven days a week, as he can stand, contribute to his organization?—*National Builders' Supply Dealer.*

It's the missing rungs in the ladder of success that most people fail to get by—the missing rungs that call for resourcefulness, persistence and confidence.

▪

Two rules that cannot be beaten: Know how to say "no" and how to say "no, I don't know."

▪

The fellow who gets ahead is generally the fellow who helps others get ahead.

—C. H. M.

Mexico goes silver

(*Continued from page* 15)

in position to make any loans, and are not disposed to renew those about to mature. Under these circumstances, it is not possible for distributors to borrow silver with which to purchase foreign exchange and so secure themselves against exchange losses, and, consequently, sales on credit terms have been entirely discontinued by many of the largest distributors.

While the monetary law does not prohibit transactions in foreign currencies, many merchants are apprehensive that future legislation may compel them to accept payment in silver at par, or at a fixed rate, of any sales which they may make in foreign currencies (as they are now required to accept silver at par in payment of sales previously made in Mexican gold) and they are disinclined to take the risk.

Since the passing of the law, gold has been exported in large quantities, and if such exports continue, the exchange should be helped thereby. Furthermore, imports have declined quite appreciably, as a result of the severe drop in the exchange value of the silver peso, which, conversely, should stimulate exports. To offset these apparent advantages, however, many citizens, both Mexican and foreign, having become discouraged over conditions in Mexico, have sent their savings abroad, thus increasing the demand for foreign exchange and contributing to the decline in the value of the silver peso.

The amount of silver now in circulation is probably not in excess of the country's normal requirements, now that gold has been withdrawn from circulation, and *if* the monetary law is observed, in so far as it prohibits the issuance of more silver, *if* the restrictions placed upon the issuance of notes are respected, *if* the Government is able to balance its budget without recourse to such drastic measures as the assessment of confiscatory taxes, and *if* the trade balance is substantially in favor of Mexico, the silver peso may gradually recover its exchange value.

However, the special tax law recently enacted, places so heavy a burden upon agriculture, commerce and industry, that it is to be feared that little new capital will enter the country, and that, on the contrary, many existing enterprises will be compelled to liquidate, owing to their inability to pay the tax. The tax in question is one per cent. of gross sales and other income in 1930, payable in three bi-monthly instalments in August, October and December, 1931. In many cases, the tax is greatly in excess of the taxable net income.

Samuel Ardron, Jr.

Ardron Joins Philadelphia

The National Association of Credit Men announces with regret the resignation of Mr. Samuel Ardron, Jr., who leaves his position as Eastern Division Manager of the Association to become Secretary-Manager and Treasurer of the Philadelphia Association of Credit Men, to succeed David A. Longacre, deceased.

Since July 15, 1925, Samuel Ardron, Jr., has been an executive official of the National Association of Credit Men. He came in the capacity of Business Manager of the Fraud Prevention Department. Two years later, Mr. Ardron was made Comptroller, while still retaining his active official duties in connection with the Fraud Prevention Department. In October, 1930, Mr. Ardron was selected as Eastern Division Manager of the Association to succeed Mr. E. Paul Phillips.

During his six years with the National Association, in establishing an enviable record, Mr. Ardron has endeared himself to all who know him. His administrative and executive contributions to the plans, programs and activities of the two Fraud Prevention Funds were important contributions to the success of this work.

What happens to the man who does things NOW? Spell now backwards and you'll find out that he has ——.

C. H. M.

court decisions and washington notes

court decisions

CONTRACTOR'S BOND. SUBCONTRACTOR. THIRD PARTY BENEFICIARY. (FLA.).

The Construction Company entered into a contract with Barry to construct a building and to guarantee the faithful performance of said contract, an indemnity bond was executed in favor of Barry with Columbia Casualty Company, defendant, as surety. Johnson Electric Company was a subcontractor and furnished the electrical fixtures and supplies for the main contract. Johnson Electric Company was not paid and relying on the bond and its terms, brought suit to recover thereon. The main question is whether a subcontractor may sue directly to recover on the bond. The bond provides that if the contractor "Shall pay all persons who have contracts directly with the principal for labor or materials, then this obligation shall be null and void; otherwise, it shall remain in full force and effect." The court below held that the bond was solely for the benefit of Barry and that Johnson Electric Company could not recover thereon. *Held*, that a third party subcontractor could recover on a contract and bond if made for his benefit though he was not a formal party thereto. The very essence and purpose of these bonds is to save harmless the laborer, materialman, and subcontractor along with the contractor and when so expressed they should be interpreted to effect this purpose. Judgment for the defendant reversed. *Johnson Electric Co., Inc. vs. Columbia Casualty Co. et. al.* Fla. Supreme Ct. Decided April 14, 1931.

VOLUNTARY. DISCHARGE. CREDITORS FRAUD. SCHEDULE OF ASSETS. LISTING. OMISSION. (N. H.)

Russell was adjudged a bankrupt upon his voluntary petition on August 9, 1929. Various creditors filed objections to the Bankrupt's discharge. The first objection alleges that the Bankrupt in an attempt to defraud his creditors failed to make true statements of his property. Trustee knowing that Russell had an automobile called his attention to the fact that he had not listed it in his schedule. The Bankrupt admitted that he owned an automobile. An amendment was thereafter made to the original schedule including the automobile. The Trustee was given to understand that there was no furniture in the house belonging to Mr. Russell with the exception of a desk and chair or two in his office and that they were of nominal value of $100. Later, the Trustee found that Mr. Russell did own a considerable number of articles totalling $576.25 in value. The Bankrupt when asked about his furniture by his counsel at the hearing before the trial Court answered, "I have practically no furniture; the furniture we are using was largely given as a wedding present and recently by bequest to my wife from her mother." Objection No. 2, alleges that on March 30, 1929, said Bankrupt did obtain an extension and renewal of credit from the bank on his $2,500 note by making a materially false statement in writing subscribed and sworn to by him respecting his financial condition, the Bankrupt being actually insolvent at the time. It does not appear that the Bank gained or lost anything by the renewal of the $2,500 note. *Held* that the omission of the automobile was inadvertent as he must have been aware of the fact that his ownership of it was well known to his creditors and neighbors. This court finds that in making oath to his schedules with the automobile omitted, he did not intentionally take a false oath within the meaning of Section 14, of the Bankruptcy Act. Further, while it is true the Bank suffered no loss by the extension of the $2,500 note the test is not what the creditor lost but what the debtor received. In this case, Russell obtained by means of his false statement an extension on his note, an exemption from process on the note during the period of extension. The facts bring the case within the provisions of Sec. 14 (3) of the Bankruptcy Act. Moreover on each occasion, Russell represented his furniture as of nominal value. It was not until pressure had been brought to bear on him by the Trustee that the amendment to the schedule adding $576.25 to his assets was made. His second denial characterized his first. To justify the omission by a bankrupt of property from his schedules on the ground that he acted on advice of counsel, it must be shown that he fully and fairly stated the facts to his counsel, and acted on his opinion on a matter of law only. Objection No. 1 is sustained as to the furniture. Objection No. 2 as to the financial statement rendered to the Bank is sustained. Bankrupt's discharge is denied. *Matter of Russell.* U. S. Dist. Ct. of N. H.

INVOLUNTARY. CONDITIONAL SALES. RECEIVERS. LEVY. SUMMARY PROCEEDINGS. (PENNA.)

Petition to review an order of the referee in bankruptcy, the effect of which order is to direct that a certain steam-shovel claimed by the receiver to be a part of the bankrupt estate, be returned to the receiver; and that the Acme Equipment Company pay the receiver certain moneys received by said company on account of a bailment-contract made by the said company with Warren P. Smith. By a bailment contract dated January 12, 1929, the Acme Equipment Company leased to the Shadeland Beach Improvement Company a steam-shovel, at certain stipulated rentals to be paid monthly, with option to purchase at any time during the terms of the lease; credit to be given on purchase-price for the amount of the rentals paid. Default having been made in the payment of rentals on December 10, 1929, officers of the Acme equipment company took possession of the shovel and hauled it to a point where the railroad right of way cuts through the real estate of the Shadeland Beach Improvement Company. Thereafter, a written agreement was entered into on December 18, 1929, wherein payments on account of lease were extended. The effect of it was to restore the possession of the shovel to the Shadeland Beach Improvement Company. Thereafter, the sheriff of Crawford Co. levied upon the steam-shovel and advertised it for sheriff's sale as the property of the Shadeland Beach Improvement Company. Subsequently, on January 15, 1930, and before the second payment on the agreement of December 18th became due, an involuntary petition in bankruptcy was filed in this court. The receiver then went into custody of the shovel. Thereafter, the Acme Equipment Company, without any petition on its part to reclaim this shovel from possession of the receiver in bankruptcy undertook to take possession of it, and lease it to a man by the name of Warren P. Smith, denying the existence of agreement with improvement company. *Held* that, under this state of facts, this court is without power to make the summary order complained of. As this court views the law, the remedy of the receiver was to exact an enforcement of his alleged verbal agreement against the Acme Company in a plenary suit for an accounting and assignment of the bailment-contract with Smith; or, in view of the fact that this steam-shovel was taken out of the custody of this court without any lawful order, the receiver might have recourse to recover the steam-shovel from the person in whose possession it now unlawfully is. The order of the referee reversed. *Matter of Shadeland Beach Improvement Co.* U. S. Dist. Ct. w. Dist. of Penna. Decided May 13, 1931.

BANKRUPTCY. MONEY DUE BANKRUPT. PUBLIC IMPROVEMENTS. RIGHTS OF LIENORS AND ASSIGNEES. N. Y. LIEN LAW, SEC. 42.

Petition to review the order of the referee, which directed that the Comptroller of the City of New York pay over to the trustee, sums due and payable under certain contracts owned by the bankrupt, subject, however, to liens and assignments. Section 42 of the Lien Law of the State of New York provides, in part: "A lien for labor done or material furnished for a public improvement may be enforced against the funds of the state or the municipal corporation for which such public improvement is constructed, and against the contractor or subcontractor liable for the debt, by a civil action." *Held* that the liens and the assignments were filed with the Comptroller of the City of New York in pursuance of law prior to the adjudication of bankruptcy herein, and no reason in law is shown for requiring the Home Company of New York, and the lienors whose claims far exceed the amount claimed to be due from the City of New York, to contribute to the expense of the administration of the bankrupt estate, by turning over to the trustee the money in the hands of the Comptroller of the City of New York, from which such liens and assignments must be paid. This is especially true when there is no consent of the lienors to the making of such an order and the making of it is objected to by the assignee. The trustee in bankruptcy cannot get possession of the money in the hands of the Comptroller of the City of New York in a summary proceeding, but must assert his claim by a plenary action. Petition to review granted and order of the referee vacated and set aside. *Matter of Aragona Construction Corp.* U. S. Dist. Ct. E. Dist. of N. Y. Decided May 29, 1931.

WIFE AS EMPLOYEE OF BANKRUPT. WAGE CLAIM. ALLOWANCE. (PENNA.).

The wife of the bankrupt, filed a claim with the Referee for wages alleged to have been earned within three months of the filing of the petition. No creditor objected to the allowance of the claim, but the Referee refused it. Held that this was error. The testimony disclosed that the wife had been working for her husband during the period for which the wage was claimed and for a considerable period prior

thereto. This appeared by the testimony of the claimant and the bankrupt. Claims of this nature, it is true, are open to considerable suspicion. In the instant case the bankrupt produced memorandum books showing payment to his employees during and prior to the period for which wages were claimed. These books show regular payments to the claimant. Finding of the Referee reversed. *Matter of Calvin.* U. S. Dist. Ct. W. Dist. of Penna. Decided June 9, 1931.

MATERIAL SPECIFIED. FAILURE TO DELIVER. DAMAGES. (OKLA.).

Action by Patterson against Trudgeon and Trudgeon, partners, to recover damages. Plaintiff ordered from defendants, 450 sacks of bricklayers' cement. Defendants delivered to plaintiff 450 sacks of "raw mix," and charged plaintiff 63 cents a sack, the price of bricklayers' cement. "Raw mix" was worth 28 cents a sack. *Held* that defendants are liable to plaintiff for all damages resulting by failure of defendants to deliver to plaintiff the kind and character of goods purchased. Further, where plaintiff buys bricklayers' cement and defendants deliver "raw mix" and plaintiff uses same believing it to be bricklayers' cement in the erection of a building and later discovers it is not bricklayers' cement but "raw mix", and is compelled to tear down the building and reconstruct the same, the defendants are liable for damages resulting by reason of the breach of the contract and the failure to furnish plaintiff the material bought. Judgment for plaintiff affirmed. *Trudgeon et al. v. Patterson.* Okla. Supreme Ct. Decided May 19, 1931.

BANKRUPTCY. PETITION FOR DISCHARGE NUNC PRO TUNC.

The bankrupt filed a voluntary petition in bankruptcy in November, 1927. On January 30, 1928, the bankrupt signed and acknowledged a petition for his discharge, which was mailed to the Clerk of the United States District Court in the Federal Building at Buffalo. There is no record of the petition ever having been received and consequently no notice to creditors or order to show cause was mailed or published. Nothing further was done until this motion to permit the bankrupt to file the petition nunc pro tunc was made in January, 1931. *Held* that the court is without jurisdiction to permit the filing of a petition for discharge after the extreme period of eighteen months provided in the statute. The court cannot by a nunc pro tunc order extend the statutory period. Application of the bankrupt denied. *Matter of Vasques.* U. S. Dist. Ct. W. Dist. of N. Y. Decided June 13, 1931.

BANKRUPTCY. PREFERENTIAL TRANSFER. SOLVENCY. SUFFICIENCY OF PROOF.

The petition in bankruptcy herein filed by one creditor alleges a preferential transfer by the bankrupt, while he was insolvent, of certain drydock machinery with intent to prefer the transferee, and that the creditors of the alleged bankrupt are less than twelve in number. A receiver was appointed. An answer was filed denying insolvency. *Held* that the bankrupt having taken issue upon the allegation of insolvency, it became his duty to appear in court on the hearing, with his books, papers and accounts, and to submit to an examination and give testimony as to all matters tending to establish solvency or insolvency. The alleged bankrupt attended at the trial, but he professed that he did not know anything concerning his books and records, and claimed to be laboring under such physicial and mental stress that he could not make any clear statement of his assets and liabilities. However, from his testimony, it is impossible to believe that he does not know anything about his books and records, but, on the contrary, it is thought that he could speedily produce them if he became convinced that it was to his interest so to do. It was clearly established that the drydock and the machinery were transferred in disregard of the provisions of the Bankruptcy Act. In the belief that the bankrupt has not demonstrated his solvency, an adjudication will be ordered. *Matter of Olsen.* U. S. Dist. Ct. E. Dist. of N. Y. Decided May 29, 1931.

RENT ACCRUING AFTER BANKRUPTCY. (N. Y.)

The Yettanna Holding Corporation, as Landlord, entered into a lease with one Goldberg. The lease did not contain the usual bankruptcy clause allowing the landlord to terminate the lease in the event of the bankruptcy of the tenant; it did not contain any clause providing for liquidated damages in the event of default on the part of the tenant. The tenant moved into the premises and occupied them until May 12, 1931, when he moved out. The landlord filed a claim against the bankrupt estate for the rent of May, 1931, and subsequently brought suit for the rent of June. Thereafter an Ex-Parte order was granted staying the execution of the judgment, and the motion now before the Court is to vacate the stay. *Held* that the motion should be granted if the claim is not one provable against the bankrupt's estate and is Goldberg's own obligation. Rent which may accrue subsequent to the bankruptcy of a lessee is not provable against the bankrupt's estate and the bankruptcy of the lessee does not sever the relation of landlord and tenant, and the tenant's obligation to pay rent under his lease is not discharged as to the future unless the trustee elects to retain the lease as an asset. The clause in the lease which provides that in the event of default on the part of the tenant the landlord may reenter and relet the premises is an additional reason for the conclusion reached and disposes of the contention that the rent which might accrue in the future was fixed in amount or so susceptible in liquidation as to be proved under Section 63 of the Bankruptcy Act, for it is not at all improbable that the landlord might succeed in reletting the premises and this would substantially effect the amount the tenant might be called upon to pay. Accordingly, the bankrupt estate is not concerned with rent which may accrue after the bankruptcy, and the court should not stay the execution of the judgment. Motion to vacate granted. *Matter of Goldberg.* U. S. Dist. Ct. So. Dist. of N. Y. Decided July 27, 1931.

BANKRUPTCY. ASSIGNMENT OF ACCOUNTS RECEIVABLE. FAILURE TO RECORD. PREFERENCES.

The bankrupt sold wearing apparel. He entered into a written agreement with the defendants, whereby the latter were to loan him sums of money against the security of assigned accounts receivable. One paragraph of the agreement was to the effect that merchandise returned by customers whose accounts had been assigned "is hereby transferred to Rusch as security for monies owing to Rusch to whom is hereby given a lien on said merchandise, and if any such merchandise comes into the possession of Horowitz he shall receive only as trustee for, and agrees to turn same over forthwith to Rusch." The agreement was never filed or recorded. One day before the filing of the involuntary petition against him, the bankrupt informed the defendants that he had heard that creditors were about to file a petition in bankruptcy against him. At the same time he told the defendants that he had at his place a large quantity of returned merchandise. The defendants immediately sent a truck and removed a quantity of merchandise from the bankrupt's premises. The trustee brought this suit to recover the value of the merchandise so taken. *Held,* that there was no lien valid against the trustee in bankruptcy before possession was taken. Insofar as the agreement purported to give a lien or security title on returned goods, it was void because it was never filed. The defendants derive no advantage from viewing the agreement as one to create a pledge of such goods, because of lack of delivery to them as pledgees. The law of New York is that where a chattel mortgage is void as against the mortgagor's creditors or trustee in bankruptcy for want of record and change of possession, the mortgagee does not improve his position or acquire a valid lien by taking possession later on, when he knows of the mortgagor's insolvency. There is no relation back to the time when the mortgage was executed. It is plain therefore that the defendants' taking of the merchandise was a voidable preference. Decree for plaintiff. *Goldstein vs. Rusch, et al.* U. S. Dist. Ct. So. Dist. of N. Y. Decided August 12, 1931.

washington notes

RETAIL PAYROLL FIVE BILLIONS

The first complete study of employment and wages in the retail industry, for the entire United States, according to statistics made available by the Census Bureau, reveals that more than 3,769,000 men and women, representing over 3 per cent of the country's entire population, were employed full time during the calendar year 1929 in the retail stores of the Nation, and 6,018,642 or about one person out of every eight gainfully employed in this country was engaged directly in retail stores. The number of part-time employees is estimated at 799,000. This study of the great mass of data secured by the Bureau of the Census in the first nation-wide Census of Distribution also shows that the total amount paid out during the same period in salaries and wages to full-time and part-time employees, exclusive of the compensation of proprietors or firm members, aggregated $5,134,-000,000, according to "Domestic Commerce" of the Bureau of Foreign and Domestic Commerce.

The total number of persons in the United States reported as having gainful occupation is 48,832,589. Of this total 3,769,342 or nearly 8 per cent are employed full time in the retail stores. This latter figure does not include part-time employees nor active proprietors. Compared to the 8 per cent average, Mississippi reports only 3.42 per cent while Utah reports 9.61 per cent. The figures for the District of Columbia show that 12.58 per cent of the total number of persons gainfully employed are found in the retail stores.

On the ratios developed by this special study, a 7 per cent sample, projected to cover the remaining 93 per cent of stores, the writer bases his estimate of 1,470,000 proprietors and 799,000 part-time employees. This estimate necessarily is subject to revision as more data become available and the Census Bureau cautions that it be used only as a general indication of the proportions between the full-time and part-time employees, and the full-time and part-time payroll.

TRADE ASSOCIATIONS VITAL

The basic importance of the American trade association in economic planning for business stabilization was stressed recently by Frederick M. Feiker, Director of the Bureau of Foreign and Domestic Commerce in announcing the cooperation of representatives of the Department of Commerce in the conduct of the National Institute for Commercial and Trade Association Executives, held at Northwestern University, Evanston, Illinois, August 3 to 15.

"The trade associations of the country," said Mr. Feiker, "are the shock troops in the struggle which confronts us for the stabilization of our economic structure through long range planning. Economic planning, as we hear it discussed nowadays is not a new thing. It has been done and is being done by individual and trades every day. We have been planning and putting plans into operation in this country for years. Economic planning has proved its place not only in its social objectives and attainments, but in its immediate commercial values to American business and industry. In the continuance and development of this work lies the great value of the trade association in the future."

load lightening

(*Continued from page 25*)

other selling agencies virtually lend commodities to backward countries which are too poor to pay cash, said: "It is not only humane, but good common sense as well to supply these people with the commodities which they need, on a long-term credit basis, because by doing so we increase the value of the goods of the remaining normal supply to a point where it more than equals the amount sold in this way. Instead of adding to our already embarrassing position on foreign loans—why not stop these money loans and loan or sell some of our oversupply of commodities on very easy credit terms?

". . . The great advantage of this plan is that we will be selling goods to those people who have not been able to buy them and otherwise would not be able to buy them; and it will, therefore, not kill or hurt our existing markets."

The highly depressed raw material industries, facing glutted markets, are in a mood for experiment and innovation.

The statistics of manufactured goods in the United States indicate that progress is being made in reaching a basis for sustained recovery.

Early Settler

VISITOR: Who is that man you spoke to so politely? I saw several people take off their hats to him.

RESIDENT: That man? Why, he's one of our early settlers.

VISITOR: Early settler? Why, he can't be more than 40 years old.

RESIDENT: That's true, but he pays his bills promptly on the first of the month.

Tergiversation is a big word with a little meaning—look it up and then don't tergiversate.

C. H. M.

COMPARISON OF STOCKS WITH CURRENT PRODUCTION AND SHIPMENTS

Item	Production			Consumption (c) or Shipments (s)			Stocks			Per Cent Shipments are of Production	Per Cent Shipments are of Stocks	Per Cent Production is of Stocks	Latest month
	1930	1931	Per cent change	1930	1931	Per cent change	1930	1931	Per cent change				
Portland cement, thous. of bbls.	17,239	14,125	−18.1	(s) 18,781	16,094	−14.3	29,364	27,585	−6.1	113.9	58.3	51.2	June
Bricks:													
Common, thous. of bricks				(s) 123,694	30,754	−75.1	604,630	354,507	−41.4		8.7		June
Hardwoods, total gum and oak mills of ft. bd. m.	214	143	−33.2	(s) 165	161	−2.4	3,294	3,126	−5.1	112.6	5.2	4.6	June
Softwoods, total, mills of ft. b.m	859	538	−34.7	(s) 768	562	−26.8				104.5			May
Glass containers, thous. of gross	2,528	2,565	+1.5	(s) 2,451	2,491	+1.6	6,750	6,086	−9.8	97.1	40.9	42.1	June
Cattle hides, thous. of skins	*1,536	*1,336	−13.0	(s) 1,370	1,573	+14.8	7,262	7,320	+0.8	117.7	21.5	18.3	June
Leather:													
Sole and belting, thous of lbs.	23,542	19,522	−17.1				†74,799	†85,626	+14.5			22.3	June
Upper leather, thous. of lbs	60,544	63,229	+4.4				†262,621	†259,580	−1.2			24.4	June
Gasoline, thous. of bbls.	41,806	40,545	−3.0	(c) 35,706	38,375	+7.5	51,153	45,156	−11.7	94.6	85.0	89.8	June
Automobile tires (pneumatic casings), thous.	4,098	4,538	+10.7	(s) 4,235	4,447	+5.0	10,622	8,358	−21.3	98.0	53.2	54.3	June
Cotton textiles, thous. of yds.	165,850	192,545	+16.1	(s) 176,689	211,331	+19.6	455,529	269,449	−40.8	109.8	78.4	71.5	July
Hosiery, total, thous. doz. pairs	4,056	4,346	+7.1	(s) 3,967	4,287	+8.1	12,195	9,806	−19.6	98.6	43.7	44.3	June
Silk, bales				(s) 29,396	42,161	+43.4	48,293	56,058	+16.1		75.2		June
Newsprint (U.S. mills) short tons	108,398	101,086	−6.7	(s) 106,883	100,087	−6.4	29,507	33,906	+14.9	99.0	295.2	298.1	June
Boxboard, short tons	221,525	209,186	+5.6	(s) 225,336	211,540	−6.1	68,291	78,223	+14.5	101.1	270.4	267.4	June
Steel sheets, short tons	205,675	147,843	−28.1	(s) 212,930	156,160	−26.7	200,589	168,013	−16.2	105.6	92.9	88.0	June
Steel barrels, number	651,559	554,520	−14.9	(s) 638,358	549,781	−13.9	76,232	47,054	−38.3	99.1	1168.4	1178.5	June
Oil burners, number				(s) 7,623	6,089	−20.1	12,161	9,098	−25.2		66.9		June
Boilers:													
Cast iron, thous. of lbs.	26,697	27,910	+4.5	(s) 27,629	16,477	−40.4	269,337	201,398	−25.2	59.0	8.2	13.9	June
Gas fired, thous. of B.T.U.	271,330	178,101	−34.4				1,197,768	1,069,407	−10.7			16.7	June
Radiators, 1,000 sq. ft	9,364	5,025	−46.3	(s) 9,226	5,759	−37.6	74,189	50,183	−32.4	114.6	11.5	10.0	June
Enamel ware:													
Baths, number				(s) 52,189	43,580	−16.5	181,746	145,140	−20.1		30.0		June
Lavatories, number				(s) 62,337	50,725	−18.6	197,117	209,841	+6.5		24.2		June
Sinks, number				(s) 61,329	51,689	−15.7	261,633	255,269	−2.4		20.2		June
Porcelain plumbing fixtures, No. of pieces	‡7,367	‡6,213	−15.7	(s) 6,336	5,237	−17.3	37,410	27,850	−25.6	84.3	18.8	22.3	June
Copper wire cloth, thous. of sq. ft.	565	253	−55.2	(s) 370	274	−25.9	1,107	934	−15.6	108.3	29.3	27.1	June
Rubber heels and soles, thous. of pairs	22,509	20,269	−10.0	(s) 24,168	19,281	−20.2	48,424	30,359	−37.3	95.1	63.5	66.8	June
Rubber and canvas footwear, thous. of pairs	3,606	3,830	+6.2	(s) 4,245	4,038	−4.9	35,181	23,528	−33.1	105.4	17.2	16.3	June
Cottonseed Oil:													
Crude, thous. of lbs.	19,425	6,918	−64.4				7,894	8,591	+8.8			80.5	July
Refined, thous. of lbs.	29,754	16,268	−45.3				301,609	277,922	−7.9			5.9	July
Cottonseed cake and meal, short tons	28,527	8,567	−70.0				55,352	150,291	+171.5			5.7	July
Vegetable oils, total, thous. of lbs.	[1]140,206	[1]129,972	−7.3	(c) 223,315	196,056	−12.2	§911,177	§904,085	−0.8	150.8	21.7	14.4	July
Wood rosin, bbls. of 500 lbs.	39,929	28,495	−28.6				117,318	131,942	+12.5			21.6	July
Wood turpentine, bbls. of 500 lbs	6,406	4,370	−31.8				13,642	5,307	−61.1			82.3	July
Acetate of lime, thous. of lbs.	4,847	1,853	−61.8	(s) 5,703	3,856	−32.4	22,089	24,203	+9.6	208.1	15.9	7.7	June
Methanol (crude), gallons	319,478	182,273	−42.9				710,147	624,543	−12.1			29.2	June

Percentages are figured on the statistics for the latest month.
*Average 6 months ending June. †Finished stocks only. ‡New orders. §Stocks of both crude and refined. [1]Average of 3 months ending June.

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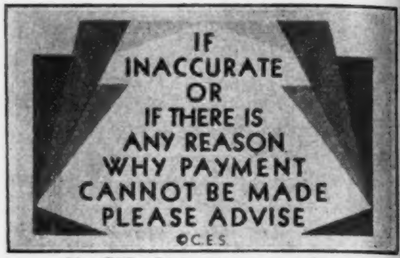

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